

FINANCIAL TIMES

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World Business Newspaper <http://www.ft.com> WEDNESDAY SEPTEMBER 4 1996

Maize row looms as EU threatens exports from US

The European Union is threatening to block US exports of a genetically engineered type of maize in a move which could hit all US maize sales to the EU and provoke a fresh trade row. Authorities fear the maize, developed by Swiss-based chemicals group Ciba to be genetically resistant to a devastating crop pest, could have implications for animal and human health and the environment. The maize has been licensed in the US and Canada. Page 10

Lufthansa chief calls for wages freeze as German airlines' long-term survival is at risk unless it brought costs under control. Page 10

Smurfit falls 37%: Irish paper group Jefferson Smurfit underlined the extent of the downturn in the global market when it reported first-half pre-tax profits 37 per cent lower at \$128.5m (\$204.5m). Page 11; Lex, Page 10

Airbus reports \$3bn orders: Airbus Industrie, the European aircraft consortium, announced orders worth \$3bn at the UK's Farnborough Air Show. Page 4

German bank probe extended: German tax authorities extended their investigations into alleged tax evasion to Westdeutsche Landesbank, the country's biggest public sector bank. Officials are looking into suspicions that funds have been transferred to foreign centres to escape German taxes. Page 2

US law firms lead in global deals: Leading US law firms are well ahead of their London rivals in the market for global equities work, a survey shows, despite UK firms hiring top US securities lawyers. Page 8

France orders scrapping of Subic deal: President Fidel Ramos of the Philippines told Subic Bay, the country's largest duty-free zone, to reverse a decision awarding the contract to run its container terminal to a subsidiary of Hong Kong-based Hutchison Whampoa. Page 4

Changes sought at French bank: The chairman of the French Senate committee on banking called for radical changes at Citibank in Paris, the country's savings bank network, which has been criticised by its commercial rivals. Page 2

Chief justice seeks top Hong Kong job: Hong Kong's chief justice, Sir TI Leung Yau, said he would run for the post of chief executive, intensifying competition for the territory's top job after the handover to China on July 1 next year. Page 4

Electrification may sell Transalpine stakes: Electrifica, the energy subsidiary of Belgian holding company Groupe Bruxelles Lambert, said it was considering selling its 50.2 per cent stake - worth more than \$1bn - in Transalpine, the fast-growing Belgian energy group. Page 11

Tokyo plans emergency budget: Leaders of Japan's coalition government agreed to produce an emergency spending plan, expected to be worth at least \$9,000m (\$97.8bn), in an effort to prevent the economy from slipping back into stagnation. Page 4

Investors shun Russian gas projects: Low foreign investment in the gas industry in Russia and central Asia is holding back the region's potential as a producer and exporter, the United Nations Economic Commission for Europe says. Page 4

Thai debt downgraded: US credit-rating agency Moody's downgraded Thailand's short-term sovereign debt ratings, saying the country was increasingly vulnerable to "financial shock" because of "rigid and recent accumulation of short-term external debt". Page 4

Uzbekistan seeks telecoms help: Uzbekistan invited western companies to remodel and operate its local telephone network but did not offer international credits, government guarantees or free pricing. Page 4

Award for FT journalists: Bernard Gray has been named defence aerospace journalist of the year by the Royal Aeronautical Society. The award was presented at a gala dinner to coincide with the Farnborough air show.

FT opens the FT web site provides online news, comment and analysis at <http://www.ft.com>

Saddam defiant after US attack

Iraqi leader orders forces to hit back at allied jets

By Edward Mortimer in London, Patti Waldmeir in Washington and John Sarban in Selehuddin (northern Iraq)

President Saddam Hussein responded defiantly yesterday after the US launched one of the biggest strikes against Iraq since the Gulf war.

The US fired 37 cruise missiles at targets in southern Iraq in response to attacks on the Kurds in the north.

The Iraqi leader ordered his air defence to "hit back with capability and efficiency" at aircraft patrolling the no-fly zones.

In Washington President Bill Clinton announced that the US was extending northwards its no-fly zone in southern Iraq, so as to "deny Saddam control of Iraqi air space from the Kuwaiti border to the southern suburbs of Baghdad".

He also said the food-for-oil deal between Iraq and the UN would be suspended until it was clear that food and humanitarian supplies would reach the people for whom they were intended. This means Iraq "will not be allowed to export oil for some time", according to Mr Nicholas Burns, the state department spokesman.

Oil prices rose sharply initially yesterday as traders adjusted to the prospect that



A Tomahawk cruise missile is launched from the destroyer USS Laboon during the early-morning assault on southern Iraq. PHOTOS AP

Iraqi oil will not be a factor in the market. Benchmark Brent Blend for October delivery hit a high for the day of \$32.55 a barrel, before falling back sharply in late London trading to around \$31.70.

Mr Mike McCarthy, the White House spokesman, said the US would not try to evict Iraqi troops from the Kurdish safe haven in northern Iraq as this would require ground troops. Iraqi troops still control Arbil, the Kurdish regional capital.

Page 3

Saddam Hussein on the brink again

Iraqi leader misjudges reaction of the US

Editorial Comment...Page 9

seized with a Kurdish group on Saturday, he added.

They were yesterday shelving the approach to Sulaymaniyah, the stronghold of a rival, anti-Saddam Kurdish group led by Mr Jalal Talabani, south-east of Arbil.

The US missile strikes drew sharp condemnation from much of the Arab world, and also from Russia, while normally pro-western states such as Egypt and Jordan expressed concern. Among Arab states,

only Kuwait gave support. France also withheld support, pointing out that "Iraq is acting entirely on its own soil" and in response to "a written request from one of the main Kurdish movements". But Paris did also send a message to Baghdad, stressing "the need to continue withdrawing effectively the forces involved on the ground".

By contrast, Mr John Major, the UK prime minister, gave "very strong support" to the US action. British ministers said they had been consulted before the attack took place, and that the UK had offered support for refuelling US bombers. Mr Michael Portillo, UK defence secretary, did not rule out further attacks.

Western intelligence sources said Mr Saddam's threat to shoot down allied aircraft could not be taken lightly, since the extension of the no-fly zone would bring allied aircraft much closer to Iraq's heaviest concentration of surface-to-air missiles. They also expressed fears that the Iraqi leader might

Continued on Page 10

Deutsche to inject \$300m into suspended UK funds

By John Gapper and Roger Taylor in London

Deutsche Bank, the German bank, was last night preparing to inject \$300m (\$310m) in cash into three suspended investment funds run by the UK subsidiary, Morgan Grenfell Asset Management, in order to restore confidence among 90,000 investors.

Deutsche faces an unknown loss in buying out a portfolio of unlisted securities held in the \$1.4bn funds. The move comes after a fund manager at Morgan Grenfell was suspended amid an investigation into the securities.

Morgan Grenfell Asset Management announced that it would be buying out the three funds, which include two unit trusts, tomorrow. The deal allows both unit trusts involved to resume at nearly the same price.

Mr Peter Young, the fund manager in charge of the largest unit trust, Morgan Grenfell European Growth Trust, has been suspended by his employer, M&G, but is expected to help in the public sale of the securities.

Deutsche will absorb the risk of the unlisted securities being worth less than the sum reflected in their unit trust prices before the suspension on Monday. The securities were being re-valued yesterday by advisors.

Such a move is unprecedented in the UK unit trust market, which is regulated by the Securities and Investments Board and the Investment Management Regulatory Organisation, and has a reputation for providing a relatively safe method for private investors.

Mr Olive Boothman, the chairman of the Association of Unit Trusts and Investment Advisors, said he hoped there

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Background, Page 16

De Benedetti quits as head of Olivetti

By David Lane in Rome

Mr Carlo De Benedetti last night resigned as chairman of Olivetti, the Italian electronics group. The move followed an unexpected emergency board meeting in Milan. The board subsequently announced a pre-tax loss of 1,440.8bn after a 1,400bp provision against expected losses on selling part of the group's struggling computer business. The group made an operating loss of 1,408.8bn.

There had been speculation that Mr Francesco Cio, chief executive of Omnitel, the mobile telephone company in which Olivetti has a 41 per cent stake, has clashed with

Mr De Benedetti on how frank the group should be in explaining its position to the market. Mr Cio was appointed group managing director following the departure of Mr Corrado Passera at the end of June. Mr De Benedetti, who has run the Italian information technology group since 1978, will be replaced by Mr Antonio Desena.

Olivetti's shares have consistently underperformed following a 1.6/377m (255m) rights issue last year which resulted in about 70 per cent of the shares being held by international investors. Brokers said

there was concern that a large part of this might have been swallowed up by losses by the end of this year, leading to a further cash call.

Institutional shareholders representing about 25 per cent of Olivetti's stock held a meeting in London last week at which concerns were expressed about the lack of information on developments at the group.

Shareholders complained they had not been informed about management changes and the implications of these for company strategy. The board met unexpectedly

after the company's shares fell sharply in early trading. Shares closed 5 per cent lower at L786 in response to continuing uncertainty about group strategy and in expectation of disappointing interim results and are now nearly 30 per cent lower than last year's issue price of L1,000. Half-year figures are expected to be announced after a board meeting planned for September 26.

Although Olivetti said in July that the PC group it established this year had broken even in the second quarter, it warned that forecasts of tougher market conditions in

the second half could affect results. Given past heavy losses, more difficulties with PCs would not be a surprise.

Ms Paola Toschi of Milia Sim, a Milan securities house, said Olivetti's systems and services business had also suffered this year and might provide a fresh source of bad news. Other brokers said Olivetti must do more to convince investors that it was seeking to enhance share-holder value. They said spinning off Omnitel and solving the personal computer problem by closing the PC company would be steps in the right direction.

De Benedetti quits as head of Olivetti

Emergency board meeting as share price continues to weaken

Continued on Page 10

USAir offers deal in effort to settle action against BA

By Michael Skapinker in London

USAir is ready to settle its legal action against British Airways out of court if BA is prepared to discuss its future relationship with the US airline and help it set up its own service to London's Heathrow airport.

USAir is understood to be ready to give political support to the planned alliance between BA and American Airlines, which has been strongly opposed by most other US carriers. If it can resolve its differences with the US airline, USAir said BA had not consulted it over the alliance.

In July, USAir launched a legal action against BA and American in the US courts, alleging that the planned alliance was anti-competitive. Last month, USAir applied to the US transportation department to try between four US airlines and Heathrow in direct competition with BA.

Attempts by USAir to speak to BA executives about their relationship, which dates back to 1998, have been rebuffed. The UK carrier insisted the legal action be dropped first.

USAir is believed to want to discuss whether BA representatives could sit on the US carrier's board once the alliance with American is concluded. BA and American have applied for anti-trust immunity from the US authorities, which would permit them to co-ordinate their flights and operations more closely than would otherwise be permitted by law. Although BA and USAir co-ordinate schedules, they do not have anti-trust immunity.

USAir is understood to have accepted that the US authorities are unlikely to grant it anti-trust immunity if it becomes part of a three-way alliance with BA and American. USAir believes this would reduce it to the status of being a mere feeder service to BA and American.

For this reason, USAir wants to operate independently. USAir is thought to be demanding BA's assistance in helping it fly to Heathrow as the price of settling the action.

USAir offers deal in effort to settle action against BA

Continued on Page 10

STOCK MARKET INDICES

New York S&P 500	6,212.20 (+2.40)
NASDAQ Composite	1,178.01 (+2.40)
London FT 100	2,911.77 (+22.11)
FT-SE 100	2,911.77 (+22.11)
Nikkei	21,164.15 (+11.04)

US LINGUSTRINE RATES

Federal Funds	5 1/4%
3-month T-bill	4.50%
Long Bond	6 1/2%
Yield	7.00%

OTHER RATES

3-month Eurobank	5 1/4%
UK 10 yr Gilt	6 1/2%
France 10 yr Bond	5.50%
Germany 10 yr Bond	5.50%
Japan 10 yr JGB	4.00%

NORTH SEA OIL (August)

Brent Dated	22.14
DM	2.579
\$	27.100

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NEWS: EUROPE



Alexander Lebed displays the text of the peace deal with Chechnya yesterday

Lebed pushes Chechen agreement

By Chryslis Freeland in Moscow

Between 70,000 and 90,000 people have died in the Kremlin's 21-month battle to subdue Chechnya's bid for independence. Mr Alexander Lebed, the Russian security chief, said yesterday...

notable for its lack of enthusiasm, Mr Viktor Chernomyrdin, the Russian premier, yesterday told a meeting of local leaders in the North Caucasus...

peace initiative to rivalry in Moscow, where some fear a successful deal in Chechnya could make the former general unbeatable in the race to succeed Mr Boris Yeltsin, the Russian president.

"I can do everything myself," Mr Lebed said, "but open and public support from the president wouldn't hurt."

Mr Lebed also hinted at a rather passive presidential attitude to his envoy's activities in Chechnya.

German bank probe widens

German tax authorities have extended their investigations into alleged tax evasion to Westdeutsche Landesbank, the country's biggest public sector bank. It said yesterday officials were looking into suspicions that funds had been transferred to Switzerland, Luxembourg and other foreign centres to escape German taxes.

Russia's financial authorities are to seek a \$1bn loan from the World Bank to help restructure the country's fragile banking system, hard hit by a rapid decline in inflation which has exposed the banks' bad loans portfolio.

Spanish hazelnut protest ends Farmers in Catalonia voted to end a fierce 32-week protest campaign after the Spanish government agreed to help fund hazelnut producers hit by competition from Turkey.

German industrial output rises German industrial production was 0.2 per cent higher in July than in June, causing analysts to suggest that strong second quarter GDP growth - for which final figures are expected tomorrow - has carried over into the third quarter.

Finland's Social Democrat-led five-party coalition yesterday underscored its determination to be a founding member of the single European currency by saying that it would balance its budget next year in an effort to meet Emu entry conditions.

THE FINANCIAL TIMES Published by The Financial Times (Europe) GmbH, Niederstadtstrasse 3, 60318 Frankfurt am Main, Germany. Telephone +49 69 136 830. Fax +49 69 596 4881. Registered in Frankfurt by J. Walter Berndt, Wilhelm J. Freund, Colin A. Tennant as GmbH/Inhaber and in London by David C.M. Bell, Chairman, and Alan C. Miller, Deputy Chairman. Shareholders of The Financial Times (Europe) GmbH are: The Financial Times (Europe) Ltd, London and F.T. (Germany) Advertising Ltd, London. Shareholder of the above mentioned two companies is: The Financial Times Limited, Number One Southbank Bridge, London SE1 9PL.

Swedes call time on moral decay

Ruling SDP has been buffeted by a string of allegations. Greg McIvor reports

Politicians from Sweden's ruling Social Democrat party have encountered a frosty reception while mingling with the voters during the long summer recess. The cause is not just the record unemployment or the cuts in public spending - it is chiefly because every time Swedes open their newspapers there is a fresh allegation of corruption against a public figure.

Public anger was compounded by the fact that he moved on to a highly paid county governor's job, while retaining the "golden parachute" money. Additionally, there has been public outrage at "fat cat" salaries and bonus payments in the public sector.

It has been very damaging for the Social Democrats and for all political parties," says Mr Arne Jörnberg, head of a parliamentary working group set up by Mr Göran Persson, prime minister, to examine public ethics and morals.

German plea to reduce non-wage costs

By Wolfgang Münchau in Frankfurt

The German chemicals industry paid nearly as much in non-wage employment costs, such as social security contributions, as it paid its workers in wages last year, the employers' federation, BAVC, said yesterday.

The view is shared by Mr Olof Johansson, leader of the Centre party, which has an unofficial alliance with the SDP. He has advocated a tax on golden parachute payments, and called for a "climatic change" in Sweden's moral fabric.

The SDP has discovered that this transparency unmatched outside Scandinavia - is not always enough to offset temptation.



French savings bank network 'must change'

By Andrew Jack in Paris

The chairman of the French Senate committee on banking yesterday called for radical changes in the structure and operation of the Caisse d'Epargne, the country's savings bank network, which has come under increasing criticism from its commercial rivals.

Jury still out on help for small shops

By Greg McIvor in Bordeaux

Less than a year after the French government outlined a package of proposals to help its struggling small business sector, Mr Jean-Pierre Raffarin, the minister responsible, estimates that implementation is 90 per cent complete.

Chemicals industry keen to reduce threat to international competitiveness

By Greg McIvor in Frankfurt

benefits such as holiday and sickness pay and a 13th monthly payment as an end-of-year bonus. BAVC said indirect employment costs were rising more quickly than wages. This increases the cost to employers of even moderate pay agreements.

Finns aim to pass Emu tests

By Greg McIvor in Stockholm

Finland's Social Democrat-led five-party coalition yesterday underscored its determination to be a founding member of the single European currency by saying that it would balance its budget next year in an effort to meet Emu entry conditions.

The reform has been advocated on cost grounds, although it would cut annual spending by only Fm50bn a year when fully implemented.

Mr Raffarin says there will shortly be judgments on a series of test cases against supermarkets breaking a new law against selling products at a loss.

Handwritten note in Arabic script: صلاتة من الصلاة

Moody's in downgrade of Thai debt

By Ted Bardacke in Bangkok

Moody's, the US credit-rating agency, downgraded Thailand's short-term sovereign debt ratings yesterday...

Moody's, the US credit-rating agency, downgraded Thailand's short-term sovereign debt ratings yesterday...

Table with 5 columns: Year (1991-1995), Total short-term external debt, Commercial banks, Bangkok International, Non-bank, and Source (Bank of Thailand).

Ruling coalition heads for Y3,000bn emergency spending programme Tokyo plans package to lift growth

By William Dawkins in Tokyo

Leaders of Japan's coalition government yesterday agreed to produce within the next few weeks an emergency spending plan...

growing from his own Liberal Democratic party to deliver a robust fiscal stimulus before the general election...

yesterday said a ¥4,000bn package was needed to prevent the economy from losing momentum in the second half of the year.

Jesper Koll, head of economic research at JP Morgan in Tokyo, said "With public investment switching from engine to drag, the aim is to smooth the transition..."

number of younger LDP politicians are starting to call on him to delay an increase in sales tax...

Chief justice joins contest for top HK job

By John Ridding in Hong Kong

Sir Ti Liang Yang, Hong Kong's chief justice, yesterday said he would run for the post of chief executive...

about his intention to stand. One scenario is that Sir Ti Liang will receive the backing of Mr Lo Tak-shing...



Sir Ti Liang: seen as possible compromise candidate

Singapore looks to superhighway

By James Kynge in Kuala Lumpur

Singapore took another step toward its vision of becoming an "intelligent island" yesterday, announcing an initiative to link the city-state's main on-line networks...

NEWS: WORLD TRADE

US tries to bring Europe on side over Cuba

Clinton's envoy sets out terms for continued waiver of Helms-Burton act

By Lionel Barber in Brussels and Guy de Jonquieres in London

the Castro regime. He presented a list of measures to the European Commission...

Renewal of the partial waiver, which expires in mid-January, would depend on European support for the US package of proposals...

EU officials said member governments were likely to resist two of the proposals in particular. These were: a US demand that no foreign technical aid be given to Cuba to complete a Russian-designed nuclear power station...

Other proposals outlined by Mr Eisenstat in Brussels yesterday - such as promoting democracy in Cuba and channelling humanitarian aid through non-governmental organisations...



Stuart Eisenstat: diplomatic offensive

Investors shun gas projects in Russia

By Frances Williams in Geneva

Mesgre foreign investment in the gas industry in Russia and central Asia is holding back the region's huge potential as a producer and exporter...

Airbus unveils \$3bn in orders

By Michael Skapinker and Bernard Gray

Airbus Industrie, the European aircraft consortium, yesterday announced orders worth \$3bn at the Farnborough Air Show...

proceed if it appeared viable. "We are happy that Boeing is updating its 34-year-old 747 design and that it will come to the market first..."

Ramos orders rebid on Subic deal

By Edward Luce in Manila

President Fidel Ramos yesterday ordered officials at Subic Bay, the Philippines' largest duty-free zone, to scrap a decision to give the contract to run its container terminal to a subsidiary of Hong Kong-based Hutchison Whampoa...

\$200m a year in revenue as a result of the difference in price between the two bids. Hutchison, whose bid was more than double Hutchinson's, was disqualified on the basis of a previously unknown anti-trust rule...

trust rule should be disregarded and a decision made on strictly financial grounds. A legal adviser, Mr Renato Cayetano, said the president wanted the matter resolved quickly.

Mr John Meredith, Hutchison Port Holdings' managing director, said in Manila yesterday: "You've got to look at the totality of what is on the table. We are very impressed with the Subic Bay Metropolitan Authority. They are correct, efficient and graft-free."

Mr Richard Gordon, chairman of Subic Bay, the Philippines' fastest growing free-trade zone, said that the freeport reserved the right to choose the second highest bidder if negotiations with the first proved unfruitful. Subic has been told to re-evaluate the bids within 15 days.

Uzbekistan seeks telecoms partners

By Sander Thoenes in Tashkent

Uzbekistan is inviting western companies to remodel and operate its local telephone networks but without offering international credits, government guarantees or free pricing.

Co-operation Fund, to install digital switching stations, optic fibre lines and radio relay systems in four regions of the country. Uzbekistan is rushing to upgrade and expand its decrepit telephone network...

on export credits. But Japan's credit is likely to be the last one guaranteed by the Uzbek government. Instead, Tashkent is urging telecoms companies to set up joint ventures to upgrade and operate the local telephone networks.

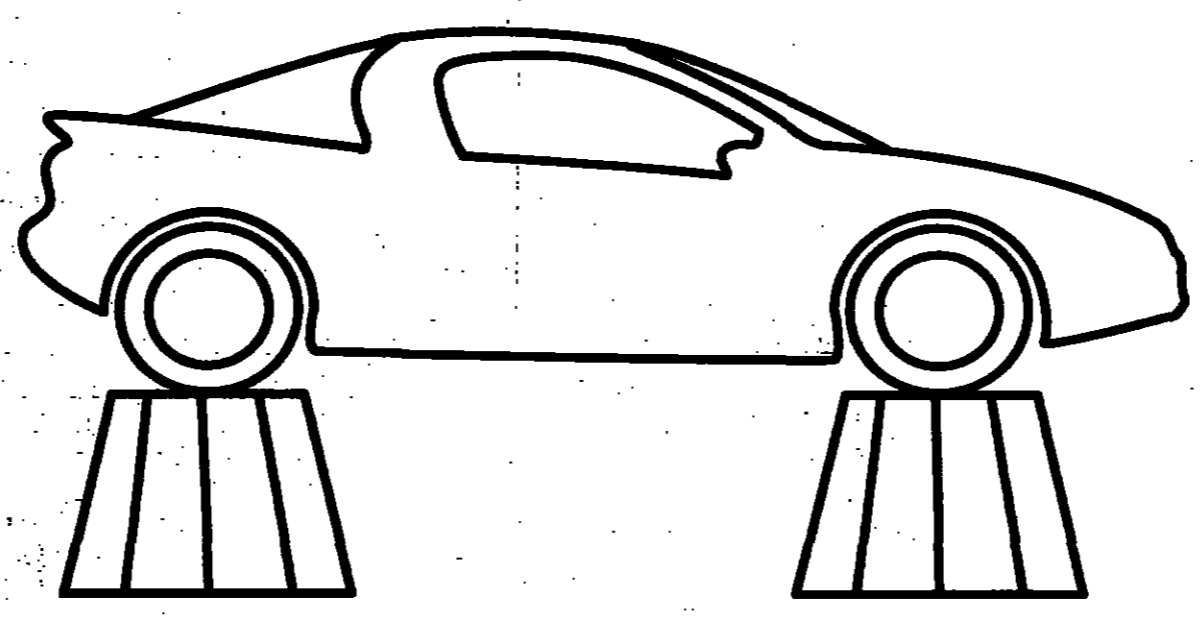
government guarantee. Similar ventures are planned for most large cities. "We don't take risks - they take risks," Mr Kudinov said.

Nevertheless, Uzbekistan is negotiating joint ventures with five international companies in as many different towns. "It's so splintered here," said Mr Duncan MacPhail, a government consultant under the European Union's Tactic aid programme. "We're not happy with it. It means that down the road they will have difficulty with training and supply. They are going to have spares problem. The more variations you have, the more teething problems you're going to have."

The Tig 100,00

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The Tigra tamed, 100,000 times.



Barely two years after introduction, there are well over 100,000 Opel Tigras on the road, in over 35 countries. And that is indeed something to purr about.

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pact coupe created a whole new, previously unexplored market.

This may seem like a daringly innovative move, but we have to admit that we were quite sure of ourselves. We stay in close touch with Opel drivers and dealers around the world, and we listen to what they say. Our engineers then have the flexibility to translate this wish-list into cars that

go beyond the conventional. Cars that, like the Tigra, offer value, safety and driving enjoyment.

Being a successful car maker is, naturally, a very satisfying feeling. But we remember never to purr so loudly that we no longer hear our customers.



COMMENT & ANALYSIS

Ian Davidson

Least bad solution

There is no consensus on whether the process in Bosnia is to rebuild a multi-ethnic state or legalise partition



Next week's elections in Bosnia were intended, in the Dayton peace agreement, to be a decisive step towards the restoration of ethnic harmony in that war-torn country.

These elections are a multi-tiered affair, for the institutions of the two component sub-states (the Bosnian Serb Republic and the Federation of Moslems and Croats), for the loose overarching institutions of Bosnia-Herzegovina which are supposed to link them together, and for the municipalities.

The rigging was in fact legal, if contrary to the multi-ethnic spirit of the agreement. The drafters of Dayton had provided that voters should register in the places where they came from.

International

moralists prefer the ideal of a multi-ethnic Bosnia because they do not want to see ethnic cleansing rewarded

As a result, the municipal vote is being postponed by only two months. This is no doubt too soon to change the registration rules; so these elections will be gerymandered all the same.

As it turned out, the purely military operation of stopping the fighting was quicker and more painless than might have been expected.

This was partly because the civilian operation was deprived, at American insistence, of any authority, but mainly because a military solution can be imposed.

Whether any of the three communities really intends to rebuild Bosnia in the spirit of Dayton may be doubted.

Last week, at an international seminar at Harvard on the implementation of Dayton, I found a remarkable degree of convergence on four propositions: some follow-up force to IFOR will be necessary; it could be half the size of the present 60,000-strong force.

The US decision will be critical, not just for the Dayton process, but also for the future of Nato. For four years the US and Europe were bitterly at loggerheads over Bosnia.

If the US walks out of IFOR, it will inflict a lethal blow to the credibility of Nato, and it will become pointless even to talk about enlarging it into eastern Europe.

Needless to say, last week the official American participants were careful not to commit themselves on any of this. But the analysis from several western capi-

LETTERS TO THE EDITOR

Number One Southwark Bridge, London SE1 9HL. We are keen to encourage letters from readers around the world...

Real passion is about how, not whether, to build a social Europe

From Prof Brian Bercusson. Sir, it is "the reality of what is actually covered by the EU's limited social agenda" which will bind the Community.

agreement annexed to the protocol on social policy. Until then, member states are free to adopt measures which will bind the Community (and eventually the UK) in the future.

compensate for low basic hourly rates will spill over into the debate over a national minimum wage. Those hoping for a possible additional seven-year opt-out of the EU's social agenda are disappointed.

More than foresight behind success

From Mr Kieran Lewis. Sir, John Kay ("Of fortunes and foresight", August 30) is disingenuous in suggesting Gary Hamel and C.K. Prahalad base their thesis in competing for the future simply on the need for foresight.

Of course it is difficult to anticipate the evolution of industries and markets, but evolve they inevitably will, throwing up new and unfamiliar forms of competition.

than to mould it. As Kay says, pioneers often fail to become market leaders. But they can only be overtaken in new industries by those who have thought enough about the future to have developed the right competences.

Bundesbank should stick to monetary role

From Mr Simon Hunter. Sir, Your leader "Bundesbank teases again" (August 28) says that the Bundesbank, in cutting the repo rate to 3 per cent, "ought to take the international context into account".

to disagree, proving that the FT is a broad church. Are you in fact arguing for an unelected, undemocratic institution, whose sole remit is monetary stability in Germany, to take an explicitly political role in Europe?

should summon him and tell him publicly to keep his hands off. This time, the Bundesbank's actions may be politically convenient for Chancellor Kohl. They may not be so for ever.

A steep learning curve

Stephen Venables looks at commercial lessons learnt en route to the top of the world



The Himalayas: on track to find their giddy potential

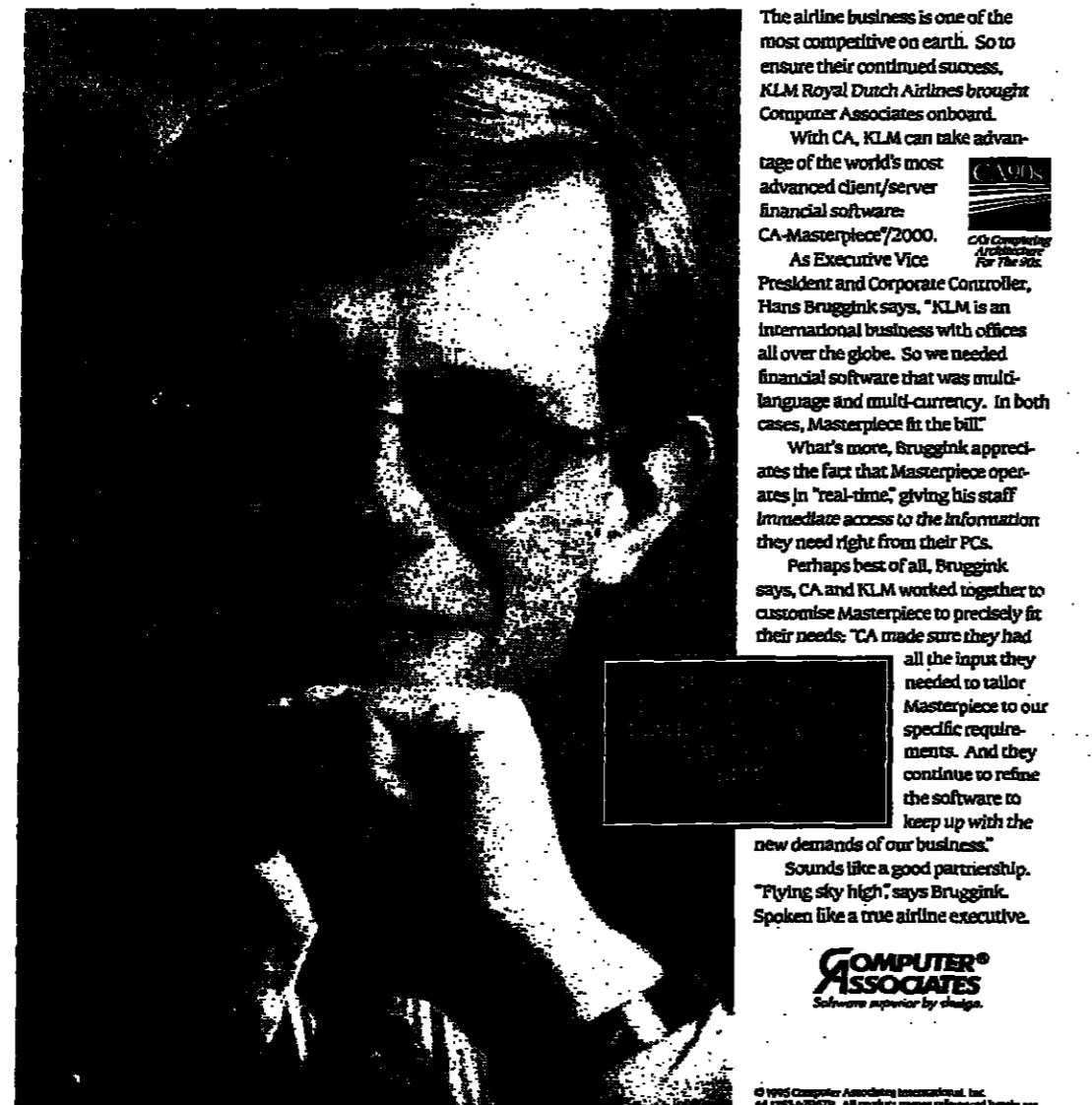
Mount Everest has become a cliché of our times. There is a growing public belief that the world's highest mountain is ruined - that a once great symbol has somehow become gullied, overcrowded, commercialised and cheapened.

UK on a par with other monarchies

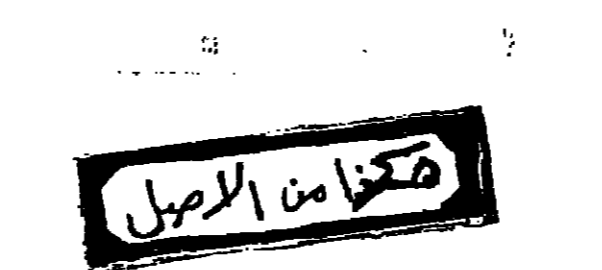
From Mr S.F. Bush. Sir, In your editorial "A future for the monarchy" (August 20) you recommend two changes in the laws of succession which would enable Britain's monarchy to "adapt to a changing world".

In the Netherlands, Denmark and Norway succession is by primogeniture to the male line. In default of a male heir, females may succeed: only in Sweden is the heir-apparent the first-born child and this will apply for the first time only in the next succession.

Software Flyer.



The airline business is one of the most competitive on earth. So to ensure their continued success, KLM Royal Dutch Airlines brought Computer Associates onboard.



FINANCIAL TIMES

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Wednesday September 4 1996

Mad cows and Englishmen

BSE not only makes cows mad. It is causing an epidemic of irrational behaviour across Europe. In rightwing British politicians, the symptoms are bouts of wild xenophobia. French farmers drove a herd of cattle across the country, blocked roads and harassed tourists, as if they had started the infection. German consumers are shunning beef from herds which are said to be disease-free, long after the banning of UK imports.

Target Saddam

"Limited but clear." President Clinton's description of yesterday's US actions against Iraq is telling. Missile strikes, an extension of the "no-fly zone" in the south of the country, and suspension of the UN oil-for-food deal are an emphatic response to Saddam Hussein's latest military adventure. But they are the least the US could do, and in themselves do nothing to clarify the west's ultimate objectives in dealing with the Iraqi dictator.

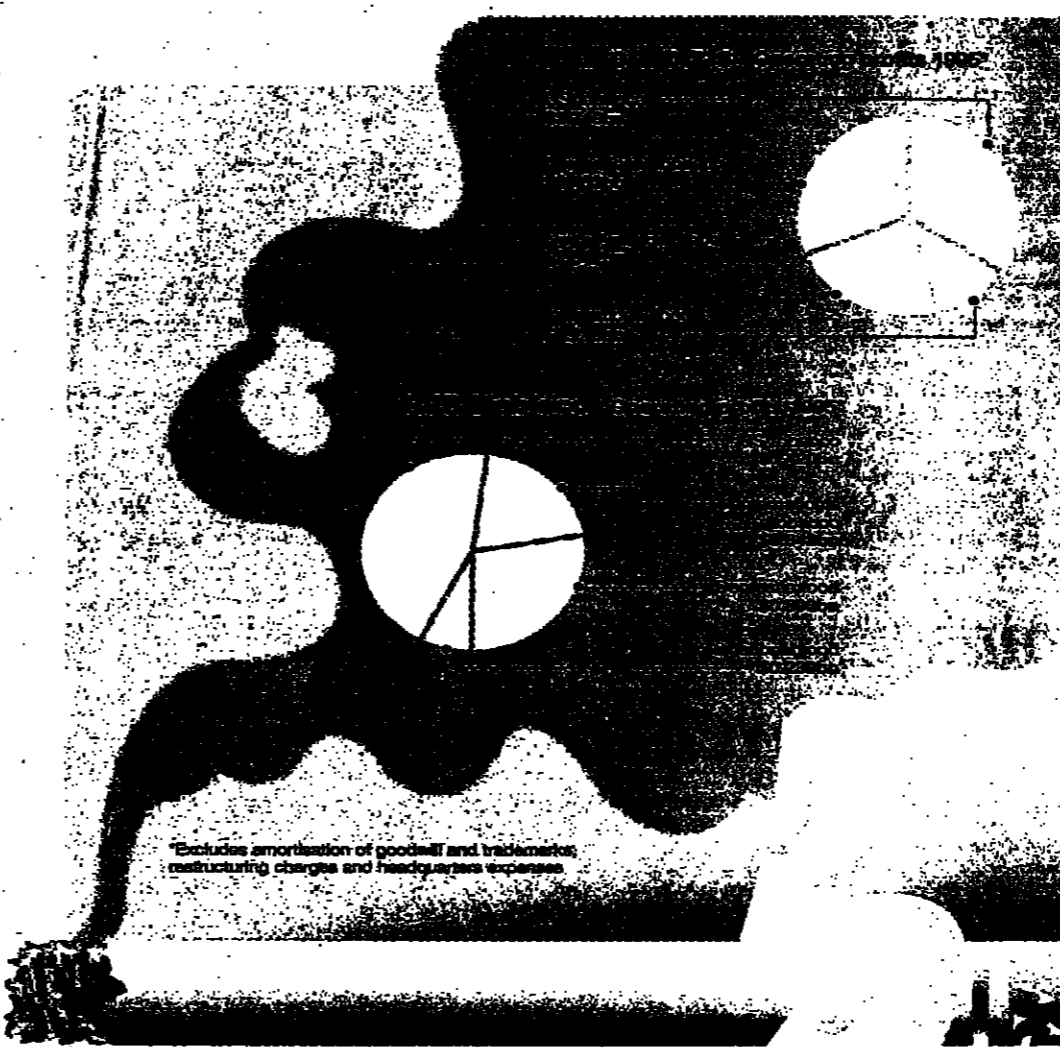
Troubled trusts

In a bull market investors can easily become complacent and fail to ask questions about where extraordinary growth is coming from. But trouble is now brushing the normally well-ordered UK unit trust market where dealings in two European specialist trusts (together with a similar Dublin-based offshore fund) run by Morgan Grenfell have been suspended, apparently because of irregularities involving valuations of Nordic technology investments.

A drag on tobacco shares

Wall Street has turned so gloomy over the threat of lawsuits that US cigarette-makers may be forced to settle, says Richard Tomkins

As smokers' stories go, Mr Grady Carter's is unusual. He started smoking in 1947 at the age of 17, adopted unfiltered Lucky Strikes as his favourite brand, quit on finding he had cancer in 1991, and had part of a lung removed the same year.



The doomsday scenario: tobacco litigation. How lawsuits could hit the US tobacco industry.

Table with 2 columns: Metric and Value. Rows include: Number of smokers born before 1951 (18.8m), Incidence of lung cancer (10%), Number of potential lawsuits (500,000), Proportion making it to trial (20%), Number of verdicts for plaintiffs (102,000), Average damages per verdict (\$1.2m), Net present value (\$25bn).

tobacco litigation which draws on the experience of the asbestos industry. The scenario assumes no damages are payable to people who started smoking after the warnings on cigarette packs were strengthened in 1969, and makes allowances for the fact that not every smoker will sue, or win.

documents indicating that US cigarette-makers knew about, but concealed, information about the addictive nature and health risks associated with smoking.

of tobacco lawsuits in preparation, and Mr Wilner says he expects to win a high percentage of them. "Anyone who was at the last trial knows it wasn't even close. So unless the tobacco companies come up with a whole new ball game, I think they will be losing their fair share," he says.

can trial lawyers, this becomes a very attractive area to get involved in. The stock market already seems to have decided that the industry's days are numbered.

Cole black spot

Nice to see that the voice of Harrods, the London shop Michael Cole, bag carrier-in-chief to Mohamed Farid, the new owner of Pirelli magazine and other assorted luxury items, cares so much about customer relations.

OBSERVER

Lebed's little helper

It's a dangerous business, being a Russian lackey. Since 1994, at least 18 journalists have been assassinated, by (it's widely assumed) those whose dirty secrets they've revealed.

Bit of a wild card

News that Pope John Paul II's 1978 Ford Escort - in storage since 1978, when he became Pope - has just been sold for \$102,000 remains Observer of the following: almost certainly untrue tale.

Steel attention

Tempus fugit. It's less than 50 years since the Soviet dictator Joseph Stalin died, but he's already a forgotten creature as far as many Ukrainian schoolchildren are concerned.

100 years ago

The Louisville Legend. Persistent rumours have been circulated with regard to trouble in connection with the Louisville and Nashville, and, as usual, when vague reports of this kind are started, it was not long before they crystallised into talk of a shipwreck. It was easy to work such a rumour, because unfortunately in the existing state of public opinion no stock in the whole list of American Railroad securities is beyond suspicion of this kind, and when a Company like the Louisville has failed to pay a dividend on its Ordinary stock for a couple of years or more, and is not likely to pay one for some time to come, such a company becomes the focus of Receivership talk, and it is small wonder if people begin to grow nervous.

LEGAL DEFINITIONS
constructive dismissal v. 1 a mass firing of modern architects (after monstrous carbuncle) 2 indirect dismissal, see ROWE & MAW: asap (ph 0171-248 4282)
Rowe & Maw
LAWYERS FOR BUSINESS

FINANCIAL TIMES

Wednesday September 4 1996

"The key to success is your passion."
RAJOO RAMMOH, founder of Enskilda
ENSKILDA

Unions warned of threat to survival unless costs are cut
Lufthansa urges wage freeze

By Wolfgang Münchau in Frankfurt
Mr Jürgen Weber, the chairman of Lufthansa, has called for a wage freeze and longer working hours in an attempt to ensure the German airline's future.

number of franchising partners - "just like McDonald's".
Mr Weber's comments, published in an advance release of an interview in tomorrow's edition of Stern magazine, are yet another indication of the commercial and financial squeeze on the airline. This year's first-half pre-tax profits fell 37 per cent to DM118m (\$60m), partly because of price cuts by competitors.

Mr Weber said the deteriorating competitive situation required a wage freeze or even a pay cut. "How could it be otherwise, since we get less and less money for our tickets?"
He also wanted to discuss working hours and more flexible working arrangements, "otherwise we'll quickly get into survival problems".

logistics of Lufthansa but would employ their own staff without being bound by Lufthansa's wage agreements.
Mr Michael Tarp, the chief negotiator in forthcoming wage talks for DAG, the white-collar union, said he wanted an "alliance for jobs" in which he was prepared to compromise on pay and conditions in return for specific job guarantees. But he said Mr Weber's threat of passing existing routes to franchise partners operating outside union control was unacceptable. "The mood is not good, and one can sense that we are moving towards a hot autumn," he said.

Fischler denies campaign of disinformation over BSE

By Caroline Southey in Brussels
There were plenty of fireworks as the European parliament's inquiry into BSE got under way yesterday, but most of them went off with a whimper rather than a bang.
Expectations had been high. Press coverage earlier this week of leaked letters suggesting the European Commission had attempted a cover-up of BSE, or mad cow disease, in the early 1980s, guaranteed a packed committee room.

The Commission's defence yesterday was left to Mr Franz Fischler, the agriculture commissioner, who devoted his lengthy delivery to a chronology of meetings and decisions dating back to 1980. His main argument centred on how much scientific information was available to the Commission at the time and whether it could, or should, have acted more decisively.
His response to the charge that the Commission attempted to keep vital information from the public was curt. "I don't know of any campaign of disinformation by the Commission," he said.

Deutsche Bank plan
Continued from Page 1
would be no loss of confidence. "No investor has suffered, and I hope people will pay attention to that," he said.
Investigations into three funds centre on the valuation of unlisted securities in the Scandinavian market that Mr Young bought.

Deutsche Bank plan

Continued from Page 1
Some of the securities in the funds were acquired through a broker called Fibs Nordie Securities, which also provided some valuations. Other valuations were provided by a London-based broking firm called Ice Securities.
The unlisted securities, which formed an unusually high proportion of Mr Young's fund, helped it achieve a strong investment performance, but it deteriorated rapidly this year. City regulations do not require fund managers to have unlisted securities valued independently.

EU threat to bar US maize

By Alison Millard in London
The European Union is threatening to block US exports of a genetically engineered type of maize, in a move which could hit all US maize sales to the EU and provoke a fresh trade row.
The maize has been licensed in the US and Canada, but approval by the European Commission is being held up by concern over its implications for animal and human health and the environment.

lodge complaints with the World Trade Organisation against the EU's ban.
The maize was developed by Ciba, the Swiss-based chemicals group, to be resistant to the European corn borer, a devastating crop pest.
But it contains another gene which UK authorities fear could confer antibiotic resistance to animals that eat it unprocessed. Austria, Denmark and Sweden are worried about the environmental impact of the modified maize.

Saddam defies US
Continued from Page 1
retaliates by taking western or UN personnel hostage, in a repeat of the "human shield" operation he staged during the run-up to the Gulf war.
Mr Masoud Barzani, the Kurdish leader who requested help from Baghdad in his struggle with Mr Talabani, yesterday echoed Mr Saddam's defiance of the US. "I never had confidence that the US would back me against Saddam," he declared.

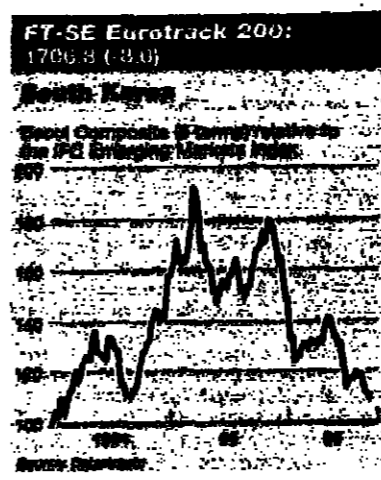
FT WEATHER GUIDE

Europe today
North-western areas will be cloudy with sunny spells. A frontal zone will move from the Benelux towards the Baltic states, bringing cloud and light rain.
Five-day forecast
The Balkans and Mediterranean will have frequent thunderstorms. High pressure over the North Sea will bring sunny spells to north-west and southern Europe, while slightly cooler air will gradually move in from the north.

Map of Europe showing weather patterns with high and low pressure systems. Includes a table of today's temperatures for various cities and a list of stations at 12 GMT.

THE LEX COLUMN
Broken trust

It has been a bad week for the UK fund management industry, with the great names of Jardine Fleming and Morgan Grenfell both tarnished by "irregularities" within certain funds. But while several regulatory concerns are raised, there appears to be little cause for panic. Investors should be no worse for the fund managers' actions, since in both cases the companies are bearing the full cost. That is the advantage of having a fund manager with a big balance sheet.
Of course, not every fund manager has a parent as rich as Deutsche Bank standing behind it. So it seems possible, no regulations have been broken, they will probably need to be tightened up. The main focus should be on a loophole which puts no limit on how much unit trusts can invest in unlisted shares, provided they have been bought within 18 months and are due to be listed on an approved exchange. This is absurd. Not only is the valuation of such shares open to question, which is why MG's three funds had to be suspended; but unit trusts require liquid portfolios to raise funds for unit redemptions.



Corporate earnings have fallen by more than 50 per cent in the first half of 1996, owing to Korea's heavy dependence on cyclical industries like computer chips, chemicals and steel. Moreover, investors face a flood of new paper this autumn. Only yesterday, the government gave permission for another clutch of flotations, led by Hyundai's semiconductor arm, and analysts expect \$8.4bn worth of initial public offerings to be squeezed into the rest of this year.

Express Newspapers
One message from yesterday's shake-up at Britain's Express Newspapers is that the titles are not going to be sold quickly. That may disappoint investors hoping for a profitable sale of the papers following this year's merger between United News & Media, their parent, and M&L.

South Korea
South Korea's decision to inch up the ceiling on foreign share ownership limits is a bit of much-needed deregulation. But if the government hopes it will attract a wave of overseas money to buoy the country's depressed stock market, it is likely to be disappointed. The Seoul bourse has been one of Asia's worst-performing markets this year as Korea's economic problems - slowing growth, rising inflation and a ballooning current account deficit - have become clear.

Spectrum taxes
If Britain's opposition Labour Party is serious about a "spectrum" tax on broadcasters, pretty chunky sums of money could be redistributed after the next election. Assume a 14 per cent tax on advertising and

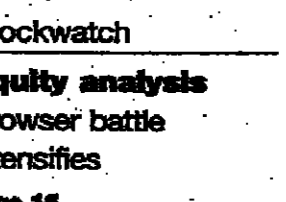
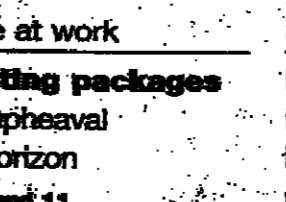
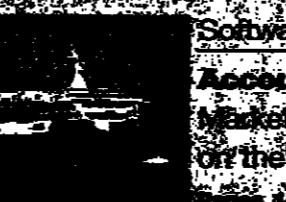
subscription revenues, which would raise roughly as much as broadcasters now pay under their cash bids. Mr Rupert Murdoch's BSkyB, which currently pays nothing, would be the biggest loser: the satellite broadcaster would have had to fork out \$150m last financial year, more than half its pre-tax profits. By contrast, the ITV terrestrial broadcaster would be winner: they would have paid \$257m last year instead of around \$200m.
Superficially, the idea of changing all broadcast air a similar tax may look fair. But the economic logic for a cross-the-board spectrum tax is weak. Charging for using the radio waves makes sense only when they are scarce. While the terrestrial airwaves are jam-packed, satellite spectrum is relatively uncluttered.
If Labour really wanted to promote rational use of the spectrum, it would leave BSkyB out of the net but include mobile phone groups like Vodafone and Orange, which also hog the terrestrial airwaves. By slapping a 14 per cent tax on them, it could raise several hundred million pounds.
Of course, there is another justification for taxing BSkyB which has nothing to do with spectrum scarcity. Labour may just feel the company, which has a near monopoly on pay-television, is getting too powerful. But it should then call its levy a monopoly, not a spectrum tax.

Advertisement for Enskilda Securities, a subsidiary of Pinault-Printemps-Redoute. Includes the text 'has acquired SELGA Svenska Elgrossist AB Selga of Sweden' and 'The undersigned acted as exclusive financial adviser to Rexel.' Also features the Enskilda logo and a list of office locations.

مكتبة الراسل



Interview
View from...
Joseph De...
of Barclays Bank



Software at work
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Information Technology

A few years ago, the mainframe computer business looked as if it was falling off the deep end. The big mainframe systems that made International Business Machines and other early computer manufacturers great were, like the dinosaurs, destined for extinction.

Low-cost, more versatile, desktop personal computers and powerful client-server networks had stolen the corporate data processing market and IBM, which still dominated the mainframe industry with its flagship system S/390 machines, was in crisis.

As losses mounted, IBM's workforce was cut in half and Lou Gerstner was brought in as chairman to rescue "Big Blue" from the scrap heap. Then reality crept back into the equation.

Despite all the fuss made about client-server computing, open systems and the PC revolution, the traditional mainframe is still the dominant workhorse for corporate information systems, particularly those in the financial services industry.

Indeed, far from disappearing, there has been a resurgence of interest in mainframe computing over the past few years as the costs of mainframe power have tumbled and the real strengths of large computing systems in terms of scalability, reliability and low running costs have been better appreciated.

"Businesses are taking a much more balanced view," says David Hammond, marketing communications manager for IBM S/390 business in Europe. "Demand for mainframes has picked up quite considerably over the last 18 months."

For the leading mainframe vendors, which include "plug-compatible" manufacturers such as Amdahl and Hitachi Data Systems, together with US-based Unisys and Fujitsu and NEC of Japan, which have developed their own proprietary systems, this is a welcome respite after years of battling against a torrent of negative comment and publicity.

The change in sentiment is, however, only a matter of degree - even the most ardent mainframe promoters accept that there will be no going back to the mainframe's heyday in the 1970s when the traditional mainframe based on proprietary technology and custom-made chips was the unchallenged king of corporate data centres.

In the mid-1980s, the arrival of mass-produced, low-cost PCs built with off-the-shelf components, and the shift to open systems - usually Unix-based client-server systems - changed the corporate computing landscape for good.

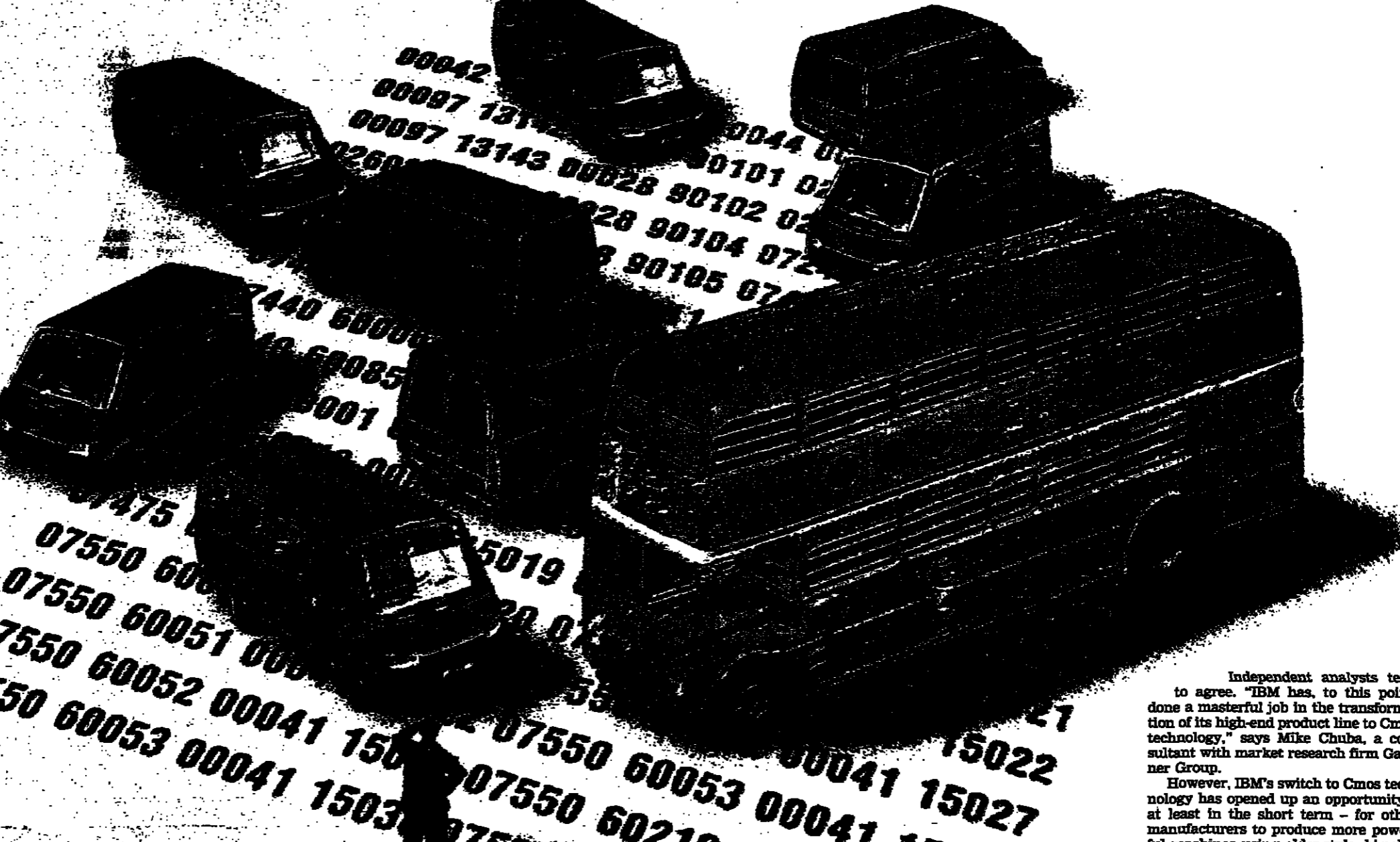
Since then, mainframe machines - known more recently as "enterprise servers" - have had trouble shaking off the image of being over-priced, inflexible and "old-fashioned".

Typically, the debate has pitched centralised IT departments against end-users, and technology start-ups against older, more established, IT vendors.

Inevitably, in the race to shift from mainframe computing to more flexible desktop PC-based systems - a process which was dubbed "downsizing" - many of the management problems and costs associated with distributed computing have been overlooked, while the mainframe's limitations have sometimes been exaggerated.

"Before 1992, the market for mainframe machines had behaved in a fairly predictable and stable manner," says John Roberts of Amdahl, one of the leading "plug-compatible" mainframe manufacturers.

The price-performance ratio of main-



Have mainframe computers missed the bus?

Despite the rejuvenation of the mainframe market over the past three years, some still question whether the recent upturn in sales represents a sustained market trend, or simply a statistical blip. Paul Taylor reports

frames declined by about 16 per cent a year, the installed base of S/390 machines grew more than 30 per cent almost every year, and the amount of computing power shipped, generally measured in terms of Mips (millions of instructions per second), increased by an average of 35 or 45 per cent a year.

IBM accounted for 80 per cent of the worldwide market.

But the early 1990s saw an abrupt reversal in the S/390 market. Shipped Mips fell in 1992, and again the following year, resulting in price cuts of more than 20 per cent the first year and 40 per

cent in 1993 - and predictions from the pundits that the mainframe was dead.

However, the following year, mainframe sales bounced back.

Not only did IBM's shipments increase by 20 per cent to 160,000 Mips, but the price decline slowed to 20 per cent and both IBM and Amdahl, which boosted shipments by 34 per cent that year, reported a resurgence in mainframe profitability.

Equally importantly, 1994 marked a key mainframe technology turning point.

Although most of the shipments that

year were of older-style machines, based on custom-made bi-polar technology, IBM began the migration to lower-cost complementary metal-oxide semiconductor (Cmos) based processors of the type used in standard PCs.

Cmos-based machines, now adopted by most mainframe manufacturers, contain about 80 per cent fewer parts than their bi-polar predecessors; require about 90 per cent less energy; need much less system cooling; and take up about a third of the floor space.

From a user perspective, Cmos-based mainframes are cheaper to buy and run.

In addition, IBM has developed another innovative technology called parallel sysplex which enables a series of Cmos-based mainframes to be coupled together but still appear to the user as a single system.

"Customer acceptance of our Cmos and Parallel Sysplex technologies is undeniable - and growing," claims Linda Sanford, general manager of IBM's System/390 division. "In fact, we ended 1995 with 60 per cent of our S/390 shipments being Cmos. Our Cmos technology is helping turn S/390 into a growth business."

Independent analysts tend to agree. "IBM has, to this point, done a masterful job in the transformation of its high-end product line to Cmos technology," says Mike Chuba, a consultant with market research firm Gartner Group.

However, IBM's switch to Cmos technology has opened up an opportunity - at least in the short term - for other manufacturers to produce more powerful machines using older-style, bi-polar technology.

In particular, Hitachi Data Systems, while also producing a range of Cmos-based machines, has had trouble keeping up with demand for its high-end Skyline series. These machines are based on a novel technology called Ace which combines most of the speed and performance advantages of bi-polar microprocessors with the cost and low energy consumption advantages of Cmos.

HDS claims the Skyline series is twice as powerful as an equivalent uniprocessor machine; is more efficient than parallel sysplex in terms of utilisation rates; and can deliver faster response times.

"HDS believes that Cmos cannot deliver the power and performance that some customers require," says Steve Jaques, UK managing director, explaining the group's strategy.

Despite the rejuvenation of the mainframe market over the past three years, some still question whether the recent upturn in sales represents a sustained market trend, or simply a statistical blip. There is, however, some evidence from mainframe users and recent purchasers that they view the upturn as a long-term trend.

A survey conducted by Irish Information Services revealed that S/390 mainframe users believe the rehabilitation of the mainframe is permanent because:

Continued on Page 2



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Interview with Joseph De Feo • By Paul Taylor

A spider's web for the banking sector

The influence of network computing and other technologies extends into all aspects of the industry. Barclays' director of group operations and technology believes it will have a profound effect on traditional banking. 'It's going to change the whole way business is conducted,' he forecasts

Joseph De Feo has built up a formidable reputation as an effective business leader and banking visionary since he joined Barclays Bank as director of group operations and technology nearly seven years ago.

American-born Mr De Feo, who joined Barclays from merchant bankers Morgan Grenfell after spells with both Goldman Sachs, the Wall Street investment bank, and Chase Manhattan, the third-biggest US bank, is also widely regarded as one of the banking industry's most outspoken, and influential, IT users.

He believes the main issue facing the banking industry is the impact of electronic delivery mechanisms and the changes which will be wrought by introducing electronic delivery to replace physical branch delivery in retail banking services.

But although he believes changes in retail banking may be the most visible, he says the impact of the broader capability of networks and networking will be just as dramatic on the wholesale and investment banking business.

"It is engendering a situation in which there will be a wholesale reconstruction of the value chains in the business model for the industry, where you could envision networks of specialist companies, each focused on a specific area - say research, analytics, trading, investment banking, distribution..."

"This sort of change has actually occurred in other industry sectors - the commodity end of the business is being concentrated into a smaller number of global producers, and the rest of

the business is being fragmented among many thousands of very focused and specialised players."

He believes that, faced with such challenges, banks will adopt different strategies. Some, such as JP Morgan in the US, will quit the "manufacturing" end of banking, and sub-contract out the processing.

Others will specialise in transaction processing, in much the same way that National Westminster Bank is providing the back-office capability for supermarket chain Tesco's recently-launched loyalty card in Britain.

Overall, he thinks the number of jobs in retail banking will fall as capital is substituted for labour. "I think the aggregate labour content in all aspects of the business will go down, but not at the same rate as it will in retail banking."

In Britain, he warns, the adjustment will be disproportional, "because we hesitated on the capitalisation of the automation of the branch networks."

Delaying automation of the traditional branch networks could also make it more difficult for the banks to respond to new and often lower-cost competitors, including retailers such as Marks and Spencer and Virgin which do not have the same infrastructure costs.

In addition, he notes, it takes time to respond to new competitors and new delivery channels. "You still have to support the branch network. The more inefficient that branch network is, the higher the burden of cost - so you are really stuck if you have huge costs."

Unlike some of his colleagues, however, Mr De Feo

does not believe that bank branch networks will disappear overnight. "When I first joined the group, lots of people were saying we need to cut the branch network in half in the long run. It was a real big issue - we were obsessed with the numbers of branches. I kept saying to them that you have to start on a more rational base and judge what is effective for the group to have as a physical branch distribution network."

While he believes the bank's branch network is still costing a lot more, probably five or six times more, than it ought to, he argues that the decision on an individual outlet "could change very dramatically if the branch was much cheaper to keep open."

"We have not closed nearly as many branches as people had originally thought we were going to, because the cost of us having an outlet open is much lower than many other banks," he says.

Barclays has cut the cost of its branches "by reducing the labour content, by having more customer volume go through each branch, so that the effectiveness and efficiency of an outlet is improved."

He notes that in the US, "if you count electronic branches, there are more branches opening - they are not closing branches... the individual cost of those locations is a fraction of what it is in this country."

Even with the advent of electronic purses and smart cards, Mr De Feo believes there will still be a need for physical bank outlets. "We really need physical bits of



banks - so it is sensible for the carmaker to arrange the finance because it can make an additional small profit on the loan.

Like other large financial institutions, Barclays is a big IT spender. But does Mr De Feo think that the bank gets value for money?

"I think that in Barclays we are now getting to the point where we are - and it shows in our results, and in the recognition we are getting, and the way in which the business attitude towards IT has changed. The level of suspicion that IT was not of a thing that was on its own, and spending money because they wanted more toys, is dissipating."

"If you look at the core businesses of the group, whether you are talking about BZW or the asset management business, we are now much more thoroughly integrated in terms of how technology is being used. We have still got a way to go because we are not on an appropriate strategic platform because the knowledge gap is still there and we need to understand better how these technologies are going to transform business."

Sophisticated banking IT systems, such as those used in credit behaviour scoring, knowledge-based techniques, and corporate lending assessment, are now commonplace. "IT has improved the quality of our lending, our decision-making, our communication with our customers, because it is clearly more objective. It is more explainable; it is not like I turned you down for a loan because I don't like the look of you."

He believes the relationship between banks and the IT vendors has also changed. "It is a matter of choosing partners now" he says, "the functional differences are less significant in vendor selection than they used to be."

Mr De Feo argues that one of the biggest challenges facing the financial services sector is ensuring that the wide variety of legacy systems work together. "That glue - how you get the network of these applications brought together - is extraordinarily important. Mr De Feo says that IT users need infrastructure standards which would allow different proprietary technologies to be brought together.

"The Internet offers some of it but the Internet is weak in systems management and security. The most important aspect of the Internet is that it has given a glimpse of what is possible with network-based computing."

"It is like a very weak light-bulb going on in an absolutely dark room, and what I worry about is that we will not be able to fulfil the promise because there are so many holes in the management and the security side of it."

"We are OK now because it is being used as an information dissemination vehicle, and an e-mail vehicle, but when we start doing serious applications using that technology it's all going to bubble to the surface and we're going to see the same sort of problems with the Internet as enterprises are having in gluing together computer systems that were built on IBM or Digital Equipment technology."

Eventually, Mr De Feo believes Microsoft will produce the "glue" to bind disparate systems together, but he cautions: "It is going to be very hard for Microsoft because it is going to push them into spaces they have never occupied before."

Similarly, he believes that the real potential of network computing will only be realised if it enters the commercial sphere. He says: "That will only happen if the financial services element is solved. We have got to get all that sorted out, so all of this has got to be brought together at some point soon, otherwise things will go into a slowdown until they get resolved."

There are all sorts of initiatives to work on the security, and work on the systems management, and so on. But the cohesiveness of those efforts is not apparent."

Ultimately he believes network computing and other technologies will have a profound effect on traditional banking.

"It's going to change the whole way business is conducted," he says. "The influences of all these technologies extends like a spider's web out into all aspects of the industry."

Mainframes on the bus

Continued from Page 1

Centralised mainframes are more cost effective than distributed computing alternatives when management and support costs are included.

Mainframes offer greater reliability, availability, functionality and data security than distributed computing environments.

One respondent said: "We have had no success with distributed processing, it cannot handle the workload, is expensive to implement and lacks function."

Another said: "Client-server platforms are more expensive than people thought."

The processing speed and capacity available in mainframe machines is significantly greater.

For crucial applications, there is greater confidence in mainframe data integrity.

The mainframe software market is mature and offers developers rich tools.

Few mainframe supporters would challenge the assertion that PCs and Unix workstations are still more flexible and faster machines for developing new applications.

However, IBM, Amdahl and other mainframe makers say there is now some evidence of "up-sizing" - using a distributed network to develop and test a new application, then moving it to a mainframe for commercial roll-out.

The Irish research suggested that 40 per cent of respondents were adding new applications.

Far from competing with client-server system designs, mainframe manufacturers also appear to have successfully positioned their machines as large-scale servers.

"The server role has been increasing dramatically," says Mr Roberts. "Seventy-seven per cent of our customers are using their mainframes in a client-server environment."

For large national companies, or multinationals in particular, the case for mainframe power remains compelling. "If you have a global customer base, you need mainframes," says Sam Osborne, industry director for finance and insurance for EDS, the US-based computer services group.

strongest argument in favour of keeping the corporate mainframe has to be the cost of ownership. Once again, a number of studies in recent years has led to a reappraisal of the overall costs of different computer platforms.

Generally, these studies have confirmed that for organisations with 200 or more users, mainframes are

considerably cheaper to run over a five-year period. "Not only are mainframes cheaper than the competition, but they are getting relatively cheaper every year, and the centralised control they offer best suits the need of most users," said the Xephon technology consultancy in a recent report.

In the financial services sector in particular, there is growing evidence that companies are choosing computer systems based on rational comparisons of the costs and benefits. Some times that will mean networked PCs; other times complex client-server systems.

But there will also be occasions when the new low-cost, flexible mainframe is the "right tool for the job."



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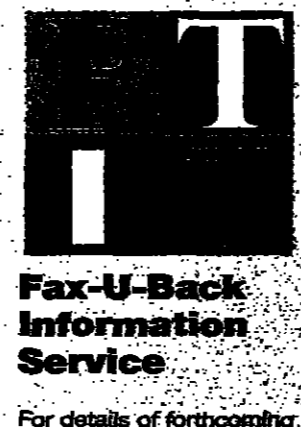
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Focus: IT in financial services
Software: Accounting packages
Equity analysis: Software battle intensifies.

The next issue: October 2
Focus: Computers in Retailing
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معلومات الأصل

Focus: IT in financial services

FT-IT 3

Introduction By Paul Taylor

Electronic commerce By Paul Taylor

Global finance sector maintains its IT edge

Financial service organisations are now managing and manipulating information

From Internet banking and multimedia kiosks to electronic trading rooms and risk management systems, the future of the global financial services industry is inextricably linked to information technology.

The financial services sector is already one of the biggest spenders on information technology - spending made necessary not just to reduce costs, but also to maintain an edge in an increasingly competitive market where new entrants and new channels to market are eroding traditional boundaries.

For example, in the insurance sector, Datamonitor, the market research firm, predicts that 95 per cent of the UK's largest insurance intermediaries will have direct operations by 1998. Datamonitor also believes that by 1998 some 70 per cent of insurance companies will have Internet sites.

Financial service organisations say they don't understand technology, or are afraid of technology, it is just like saying 'I am not qualified to do my job', says Mr De Feo.

The fate of many financial institutions, as they gear up to face this new competition, will depend on the successful deployment of data processing resources, telecommunications systems and software.

The financial services industry is faced with unprecedented challenges - increasing competition, a technology revolution, a highly unpredictable economic and political climate, consumerism and rapidly evolving legislation.

Spending on IT is likely to be increased

said Andersen Consulting in a recent report. John Reed, chairman of leading US commercial bank Citicorp, has expressed concern that banks and securities firms risk being reduced to 'a line or two of application code on a network'.

Such concerns are understandable given the competitive pressures that banks and other financial institutions now face. 'Financial services companies are trying to drive down or stabilise costs,' says Ian Peacock, a consultant with Logica, the UK-based computer services group.

'Another big area for them is systems integration.' 'When the banking history of this century is written, the decade from 1990 to 2000 will be seen as the defining moment,' said Price Waterhouse, in a recently published report on the challenge of virtual banking.

banking system as we know it. Today, opportunities are being exploited by software companies, consumer companies and even large and influential media owners.

The threat to the traditional 'bricks and mortar' banking system is very real. In America, US telecoms group AT&T became the second-largest card issuer in the world with more than 15m accounts in just five years.

Ford Motor, which now generates 20 per cent of its US revenues from financial services, now positions itself in the UK as 'the branchless bank'.

Business Week magazine noted: 'Banking is essential to a modern economy. Banks are not - a view echoed by Bill Gates, chairman of Microsoft, who warned: 'Banks are dinosaurs. Give me a piece of the transaction business and they are history.'

Meanwhile, the IT specialists at Deloitte & Touche argue that 'Technology will change the retail banking industry fundamentally in the years to come.' They believe that banks will lose their monopoly as centres for money transmission - in other words, the activity of transmitting money from one person or company to another will increasingly be carried out by a variety of competing providers.

In addition, distribution channels for retail banking products will proliferate. 'Whereas in the past the bank branch was the only channel for distributing most financial services products, in the future a number of different channels will continue to erode the branch's pre-eminence,' say Deloitte & Touche.

Finally they argue that the fully integrated bank will fragment into specialist categories. Braxxon Technology, an IT management and systems consultancy, estimated recently that leading international banking institutions face a combined IT bill



of \$4bn to replace their existing global trading settlement systems for bonds and equities. After a survey of large banks, Braxxon concluded that the top 50 world investment banks would need a global investment of at least \$80m each to replace existing settlement systems which have failed to keep pace with business and regulatory requirements.

The survey also revealed that 30 per cent of banking systems are more than 10 years old - and three out of every five banks have already started replacing their systems.

Financial institution spending on IT is also likely to be increased over the next few years in order to tackle issues such as the so-called millennium problem which affects older software, much of which is running on mainframe machines.

Ultimately, as the worlds of information processing and financial services collide, most financial institutions realise that they have little choice but to increase their IT expenditure while ensuring that they use technology as efficiently as possible to deliver their customers fast, flexible and competitively priced services.

*Financial Services in a Virtual World.

Towards a dream market

The Internet phenomenon has re-ignited interest in electronic trading

For years, businesses have been dreaming of a global electronic marketplace where they could interact and trade cheaply, quickly and securely with each other with suppliers and with their customers.

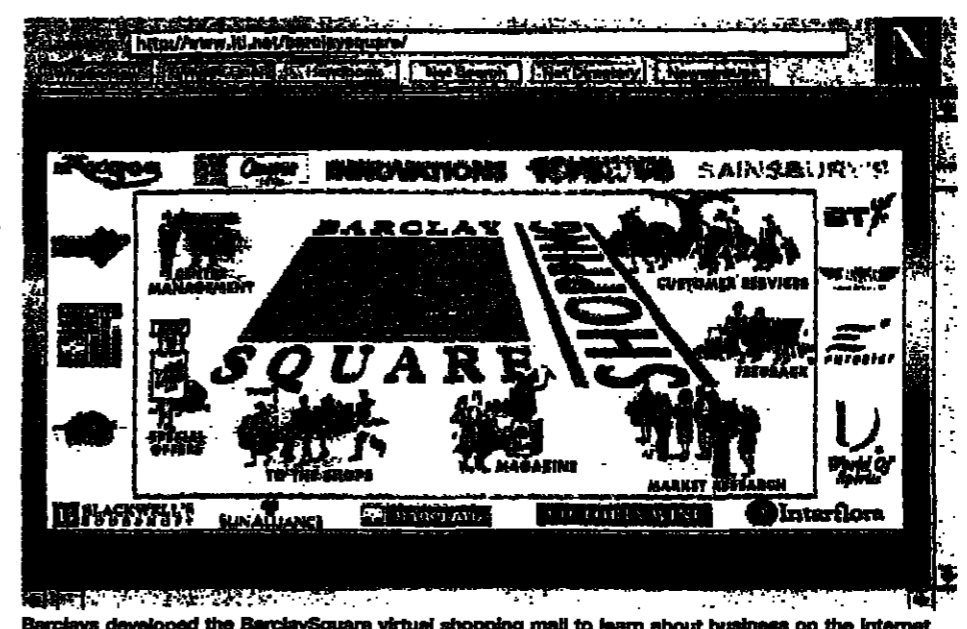
Electronic commerce, they reasoned, would enable them to cut costs and improve efficiency by reducing paperwork, tailor their products and services more closely to customer requirements and improve their competitive position.

Many companies now routinely exchange purchase orders, invoices and other data electronically using EDI (electronic data interchange), as well as transferring funds electronically.

The business case for electronic commerce is compelling. For example, more than 60bn cheques a year are processed in the US and Giga Information, the technology market research and consultancy firm, estimates that US companies spend about \$250bn, or 5 per cent of gross domestic product, on processing commercial paper documents.

EDI has been around since the 1970s and remains the cornerstone of electronic commerce. According to Input, the market research firm, goods worth about \$130bn were handled through EDI last year, and more than 100,000 companies now use EDI to conduct business. Nevertheless, the growth of EDI has been hampered because of issues such as system incompatibilities, the lack of global standards and the cost of maintaining or leasing the dedicated private networks needed to ensure security.

Now, however, the Internet phenomenon and the wider acceptance of Internet standards coupled with deregulation and tumbling telecommunications costs have re-ignited interest in



Barclays developed the BarclaySquare virtual shopping mall to learn about business on the Internet

electronic trading. 'Ideally, enterprises want to leverage the World Wide Web's ubiquitous presentation strengths and EDI's transaction processing strengths,' says Gartner Group, the information consultancy. According to Gartner: 'Senior business executives now view electronic marketplaces as new or expanded marketing, sales and distribution channels.'

In the US, Kellen Associates, the research and consulting firm, estimates that electronic commerce is growing by about 16 per cent a year and within five years will reach \$800bn.

In the consumer markets, while electronic shopping is unlikely to replace conventional shopping or mail order in the short term, most analysts believe that it, like other aspects of the Internet, is poised to expand rapidly.

Datamonitor, the European-based market research firm, suggested recently that by the end of the decade \$33m will be spent on Internet shopping by more than 800,000 households in the UK alone. The European home shopping market, which hardly existed just two years ago, could be worth £1.25bn.

Such growth in electronic commerce poses both risks and opportunities for financial services organisations.

Not only does the Internet make it easier and cheaper for new competitors to offer banking services, it also makes it easier for financial services to be bundled in with other products.

This is already happening in the motor industry where car purchase finance is increasingly offered to customer at the point of sale, provided by the dealer or the motor manufacturer.

However some banks have begun to hit back. For example, in the US, International Business Machines recently launched a new service in conjunction with Chase Manhattan, the New York-based banking group.

Using the IBM system, the car dealer and prospective purchaser send a car loan application from the showroom via the Internet to Chase which processes the application and transmits its decision back over the Internet within minutes. If the loan is approved, the dealer then completes a sales contract which is electronically signed and submitted to the bank via the Internet, then the funds are wired to the dealer. The process, which used to take up to 10 days, now takes less than an hour.

Within the retail sphere, some banks, including Barclays and National Westminster in the UK, have gone a step further and established their own electronic shopping malls. Barclays says it developed its BarclaySquare virtual shopping mall for three main reasons: to learn about doing business on the Internet including who uses consumer-based electronic shopping services; to strengthen the bank's existing relationships with retailers; and to help position the bank as an innovator.

In both the US and Europe, banks and credit card organisations are also helping to develop secure electronic transaction systems.

In the UK, the Mondex trial has attracted particular attention and Datamonitor, the market research firm, suggested earlier this year that Mondex, which was recently sold by NatWest to a consortium of 17 banking partners around the world - could account for 900m payment transactions in the UK, or 3.4 per cent of the total, by the year 2000.

The development of electronic purses, smart cards and secure transaction technology on the Internet is likely to make the case for electronic commerce and the Internet even more compelling.

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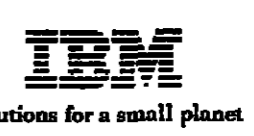
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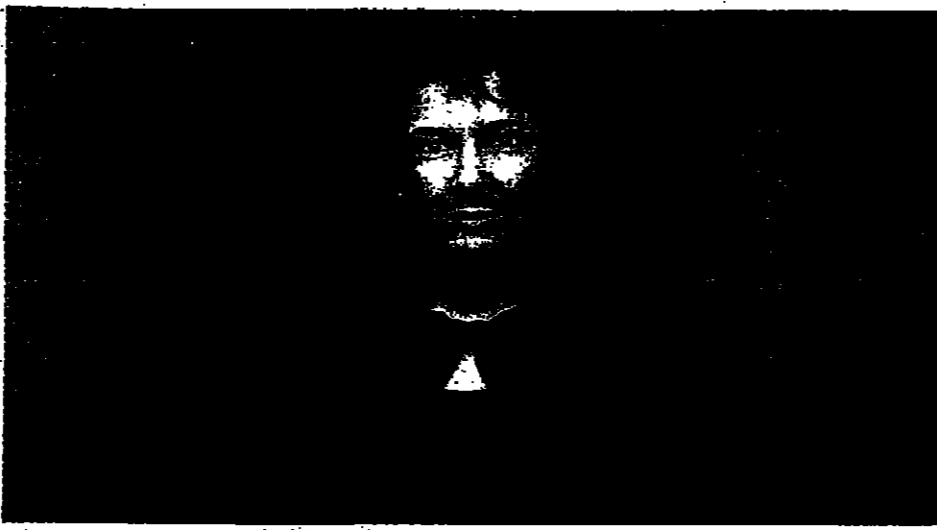


Focus: IT in financial services

Database marketing • By George Black

Less junk mail on the doormat

The institutions are confident they are improving their accuracy and shaking off their reputation for generating junk mail



Scottish Widows is one of the top spenders on direct marketing in its sector

In the past few years, UK financial institutions have turned more towards direct marketing, using knowledge acquired from databases to sell their products and services.

Financial services companies are the largest users of direct mail in the UK, making up 25.6 per cent of the total in 1995, according to the Direct Marketing Association.

Scottish Widows is one of the top spenders on direct marketing in its sector

more from their information technology about their customers, they are able to identify their best sales prospects more accurately.

There is plenty of evidence that businesses in many sectors are trying to farm their existing customer bases more - and turning away from the expensive and unwelcome task of trying to win new customers whom they know little or nothing about.

A recent presentation by William Hoskins, a research director at the Gartner Group consultancy, stressed

the trend towards a "customer-centric" focus and away from a "market-centric" focus.

The trend is being driven by a big increase in the sophistication of customer databases and in the power of database marketing systems. As they mature, these systems become more like data warehouses or data mining systems and less like the bought lists of names which generated "junk mail" and caused so much irritation to the general public.

Financial firms have restructured their information

systems to turn policy files into customer databases and are now studying those databases to analyse what sort of people buy what sort of product. This helps them to target better, sending fewer letters and getting a higher response rate - and, more importantly, a higher conversion rate to new business.

If it reaches the right people, direct mail is popular because those people often prefer to be able to consider financial offers in private without the pressure of a sales person confronting them.

The institutions are confident they are improving their accuracy and shaking off the reputation for generating junk mail. All of them stress that they do not want to send letters to people who do not want them.

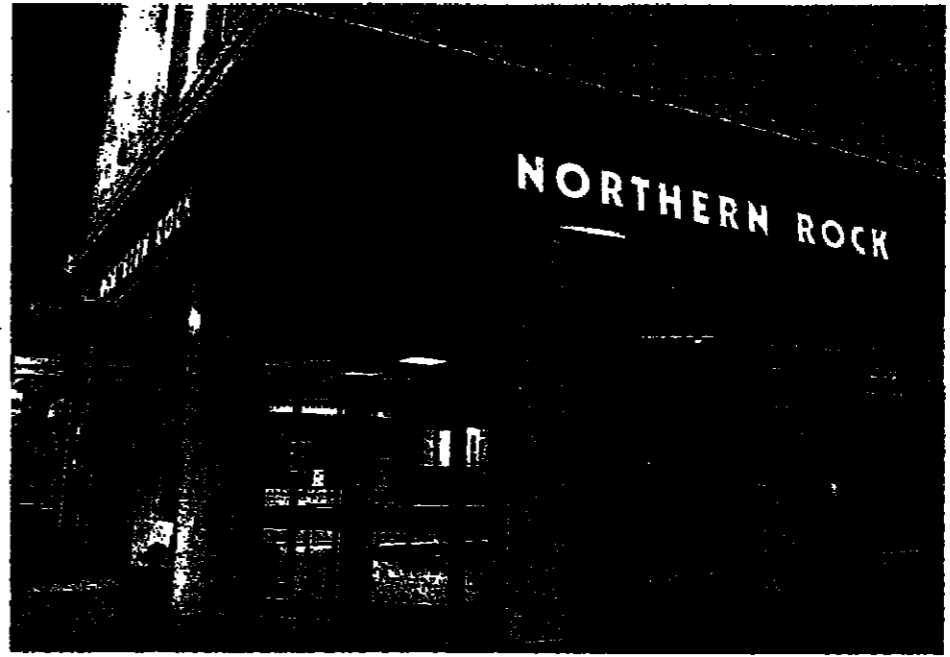
others where expenditure on direct mail has been fairly flat, it can imply that targeting is improving.

Northern Rock Building Society has refined its mail shots, based on a CCN system, from about 200,000 letters seven years ago to 50,000-60,000 today, while steadily increasing its response rate.

Research manager Clare O'Neill says that its database marketing is confined mainly to its own customers and has been most effective when used for unsecured loans, personal equity plans and mortgage protection policies.

In some cases, direct mail has been introduced to complement local branch services. Barclays Bank has in the past two years moved into direct marketing for personal loans. This has mainly been to catch up with those customers who do not visit its branches, according to Martin Binder, head of strategy and product development for the bank's consumer lending business.

Direct mail invites these customers to phone a loan centre outside their working hours. Barclays relies heavily on an in-house team to prepare its target list, using SAS software on a personal computer linked to its mainframe database. Only about 8-9 per cent of current account customers are chosen as suitable recipients, based on an analysis of about 300 characteristics.



Northern Rock Building Society has refined its mail shots, based on a CCN system

ing. This month, General Accident Direct plans to launch a new database marketing system based on CACI's MarketMaster personal computer software.

Ian Carstairs, the company's marketing database manager, says his department has taken control of building its target list, which was previously left to the IT department and a list supplier.

"We want to analyse our customers more closely and build a list of people like them. We hope this will prove a more cost-effective approach," he says.

Scottish Widows, one of the leading UK life assurance and pensions companies, is one of the top spenders on direct marketing in its sector. It has cut its spending on television advertising slightly, in favour of direct marketing.

Scottish Widows direct marketing manager Steve

Gapper says this is a result of gaining experience in mailings and making them more effective through the use of a Harle-Hanks database marketing system.

Most of its direct marketing is to existing policy-holders, aimed at persuading them to put more of their money into its services. The response rate to this form of marketing can be as high as 15 per cent, although it may be as low as 0.25 per cent to a bought list of names, says Mr Gapper. "There is still tremendous room for improvement," he admits.

"The response rate could well go above 15 per cent if we can learn enough about our customers."

He notes that higher success rates are being achieved in the US and he attributes this to a longer history of direct mailing, the greater willingness of Americans to do business remotely and their greater need to rely on

their own financial provision. Also, database marketing software in the US is likely to get the latest enhancements sooner than in the UK. New techniques such as neural networking - software which can spot patterns - may boost the ability of database marketing systems to identify key factors in lifestyles and life events which trigger financial decisions.

A survey by Mintel in 1993 suggests that financial firms may still have a lot to learn. Their average response rate was about 6 per cent, it found, compared to about 19 per cent achieved by direct mailers in fast-moving consumer goods, and an 8 per cent average for all sectors.

Also, financial direct mail still generates a fairly high level of annoyance, with 17 per cent of respondents saying they objected to receiving it more than other types of direct mail.

Credit scoring • By Rod Newing

An increasingly important role

Credit scoring software can help maximise profitability, but only if it is part of an overall management system

Credit scoring software is an important contributor to the profitability of a credit portfolio, but only if it is properly integrated into an overall credit management system.

"Credit scoring isn't just a question of developing and applying software algorithms," says Dr Michele Lundy, director and general manager of CCN Decision Systems, based in Nottingham. "You need strategy management on top, so a lot of consulting and expertise goes into developing client solutions."

CCN is a leading global provider of risk management, target marketing and account processing services. With the increasing variety of lines of credit and economic recession, the use of credit scoring software is becoming increasingly important.

Credit scoring software is used to evaluate applications against existing customer performance in order to increase the profitability of new business by reducing credit risk. Specialist providers of credit rating models incorporate their software into transaction processing systems which are used at all stages in the credit life cycle.

Use of the software starts with targeting customers and prospects through marketing. It is then used in the all-important applications for credit.

Its use continues during the "behavioural" stage, where debtors service their debt and make repayments, so that their performance can be monitored and established by the software. If necessary, its use will continue through the collection and litigation stages.

"Credit scoring techniques can be applied anywhere where high volume decisions are being made," explains Chris Hoyland, managing partner of Statistical Decisions, a credit scoring software and consultancy company, located in London.

"This includes authorisation, collections, card renewal, marketing response, cross-selling, limit increases, litigation, etc."

The process starts with extracting existing customer performance data from the institution's customer database. This is passed to the specialist to be processed in order to build models of the credit performance for each type of product. This is carried out using data mining techniques, such as neural networks, discriminant analysis and regression. These techniques produce models of customer behaviour which can then be embedded

into the institution's operational systems.

Organisations such as CCN can also produce generic models using their own database of public or shared user group data.

The credit scoring software uses information captured from the application form and from credit reference agencies and compares it to the model of existing customers to calculate a score, which will forecast their creditworthiness.

"You don't just reject those below the threshold," warns Chris Hampshire, business manager, at EDS Financial Services Division, based at Cheadle near Stockport. "You need to check if the applicant is an existing customer against a customer management system."

"You don't want to turn down a valued customer with a low rating, especially if they have funds invested or own an instrument

The management layer needs to provide more than just a credit rating score

with the institution."

Mr Hoyland says: "Anybody can develop a score, but it takes a banking expert to use the score profitably. Unfortunately, the credit scoring industry at the moment is based on statistical skills, rather than being combined with banking skills. The best scores are a combination of both, because sometimes the best statistical answer is not the best solution."

"Credit score development and implementation needs to be managed and only financial institutions can do this."

There are a number of problems to be overcome in implementing an effective credit scoring management system. "The management systems must allow the institution to check for money laundering, which is a world-wide problem," says Mr Hampshire. "Another problem is the difficulty of defining a customer. It can be an individual, a husband and wife or a whole family."

Mr Hoyland also points out that institutions need to ask the right questions in the right way on their forms in order to get relevant answers. "They don't give it enough thought," he says.

The management layer needs to provide more than just a credit rating score. It works across the whole credit life cycle. During marketing, it allows the most profitable prospects to be identified. Obviously, it is used during new business. "You need to determine not just if an applicant is credit worthy," says Dr Lundy. "You have to go further to determine for what amount

they are worthy, what interest rate should be applied and the right repayment period for the credit. It is about how our clients establish and manage their credit policies effectively, so strategy management software can be very powerful."

Successful implementation of a strategy management system allows customers to be segmented into discrete groups, based on the results of the model. Each group represents a different type of customer with unique risk and profit potential. These sub groups can then be targeted with different strategies.

"If a new customer, and one who has met every payment in 10 years each miss a payment, they would normally get the same letter," explains Dr Lundy. "However, using software allows automatic generation of a different letter to each. One can be a gentle reminder and the other a firm instruction to pay."

The financial services industry is very conservative when considering the use of credit scoring software. "In reality, many banks have never accepted credit scoring," says Mr Hoyland. "Institutions need to be comfortable with it, because they perceive that there is always a risk that it might make their credit performance worse. They always have them, but in times of recession they haven't used them to manage their businesses. Credit scoring is a leading indicator, so in 1989 credit scores told them that applications in the United Kingdom were more risky, but they waited until they went bad three years later to prove it."

This reservation is shared by other specialist suppliers to the institutions, who believe that the software should be flexible enough to allow bankers to experiment with policies. "Nobody really knows how to manage their credit portfolio," says Andrew Jennings, director of operations for Fair, Isaacs, the Birmingham-based credit rating software and consulting specialist.

"It isn't possible to come up with a simple set of rules. You need the flexibility to be able to change policies rapidly or evolve them over time. You need to be able to experiment with different policies for different groups of customers. This experimentation process needs to cover the whole credit life cycle."

Mr Jennings believes that the people who are most successful use the credit scoring software to make proactive decisions. However, beyond that he believes they also have the best delivery systems for implementing those decisions.

"No software and statistics in the world are a substitute for thinking," concludes Mr Hoyland. "People need enabling tools to test ideas and accept or reject the answers and that is what good software should do."

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Focus: IT in financial services

FT-IT 7

INTERNATIONAL PERSPECTIVE

Ideal society for PC banking trial

Denmark claims Europe's highest per capita population of domestic PCs. One in three Danish homes boasts a PC and this figure is growing rapidly. Such a technology-friendly society should be the ideal proving ground for the theory that retail banking is about to migrate onto a PC screen. Hence the participation of 50 Danish savings banks, representing 5m account holders, in Europe's largest home banking trial, with 32,000 home users hooked up.

branches, and a capitalisation of \$30m. Arly Christophersen, its director for seven years, approves an annual IT spend of \$5m. Although Lan & Spar is not huge, with 90,000 private customers, it does have a very clear idea of who those customers are. "Almost 50 per cent of our customers have a home PC. That's above the national average. They are very used to working with a computer; they are fond of their PC, well-educated and holding good positions."

Olivetti in co-operation with SDC. Olivetti has taken responsibility for additional security written in before E-Bank was launched on the Internet. The initial version had to comply with strict Danish regulations. And Denmark has recently passed a home banking law that stipulates security levels. SDC and Olivetti hope to sell E-Bank to a wider, international market. Mr Christophersen thinks the \$4m Lan & Spar pays SDC for its various services every year is money well spent.

Specialist banking By Michael Dempsey

A prolonged gestation period

The human connection is now internationally recognised as essential

The multimedia bank branch is not a new idea. By 1990, retail banks across Europe were conjuring with the vision of a contact between bank and public without the intervention of salaried staff or the real estate burden of large branches. Affordable computers had advanced to the stage where graphics were legible and attractive. Software could accommodate the caprices of mass users and provide simple step-by-step routes into a financial advice package.



A Nationwide mortgage adviser at the Eastleigh branch uses the Internet videophone facility to talk to a colleague in the building society's Swindon office. Nationwide, with 689 branches, has run its Internet multimedia experiment at six sites since early 1995

Nationwide with Andersen Consulting to produce the Internet software. Nationwide, recognising the demand for human contact, designed a virtual receptionist into the system. Carina Brooker became the building society's first staff member to be reincarnated as a computer-generated image. Brooker's voice is heard by members of the public requiring a helping hand through the system. For one-to-one advice, a British Telecom videoteleconferencing link to Nationwide's Swindon HQ is available.

back. This is something the customer feels comfortable with." He admits the trial threw up some adverse reactions. "Some applications were too simplistic, or they haven't provided the functionality the customer wanted." Contrary to a common perception that the buying public can be inhibited by technology, Nationwide discovered an appetite for multimedia trade. "We found customers were willing to do more than we expected."

There is one final element missing from the equation. Simpson's comment on the enthusiasm of customers begs the question. When will financial arrangements be signed and concluded via a video link? If Nationwide wants to lead interact right up to the point of sale it has to confront issues beyond technology. Money-laundering regulations and compliance issues are a road block, says Simpson. "We can take a financial product deal up to the point of actually printing out an application, but then the customer has to go to

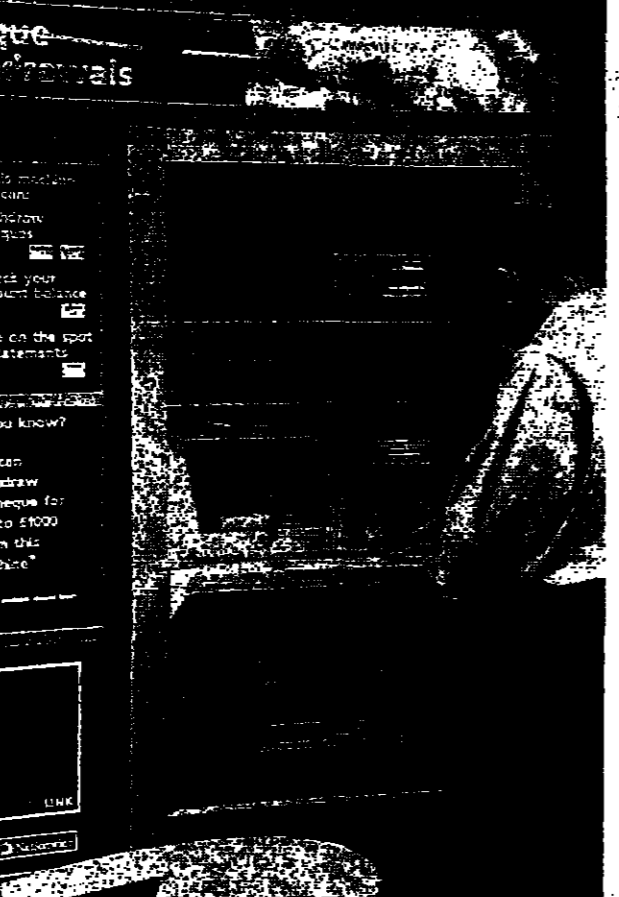
retained as counsellors, providing the same services as Nationwide's Brooker in more tangible form. The videoconferencing and self-service devices supplied to Huntington by AT&T's NCR arm cost \$10,000 to \$30,000 each. Guy Wolfenden, an NCR business development manager, is predictably positive about multimedia banking, but he admits that trial activity is still the dominant feature of this marketplace. With a pedigree in manufacturing cash dispensers, NCR intends to link itself to the multimedia branch, even if a return on this effort takes years to appear. Huntington is in the process of rolling out Access Branch across 17 of its 150 branches. Abbey National Bank in the UK is testing videoconferencing and advanced self-service devices. These feature the cheque-imaging function that proved popular with the US public. So far, Abbey has only deployed six units, so fewer than half a dozen sites are active. Multimedia is not a loss-leader, Wolfenden says. "We're seeing the next generation of the point-of-service device for consumer services, not just banking. The banks are realising you've got to have your bets down. If you don't understand how to roll this stuff out when you need to, it might take six months or more when you decide to act."

The future for ATMs

Consumers set the pace

New features are being added to help financial institutions as well as customers

When Barclays Bank introduced the world's first self-service automated teller machine (ATM) in 1967, customers could do no more than withdraw £10 using a voucher. Today, even a standard ATM can be used to make deposits, pay bills and check account balances. Advanced machines offer the prospect of withdrawing cheques, inquiring about loans, and buying shares and insurance. Financial institutions certainly see ATMs as important to their future. A new study* by consultancy Ernst & Young shows that more than 80 per cent of European institutions will expand their ATM networks over the next three years. The biggest will increase the number of machines by 38 per cent.



New ATM features help financial institutions as well as customers

been achieved in a branch. And the consumer feels in charge. For example, a machine makes no judgment if you're overdrawn. Dr Adamson says 75 per cent of cash withdrawals are now made through machines, and their use is growing quickly: NCR delivered its 100,000th ATM in 1992, 15 years after entering the market - and doubled that number in the following four years. Dr Adamson's claims about customer demand are confirmed in a study** by research firm MORI for computer company ICL. This found that 81 per cent of people regarded a large ATM network as important, compared with just 13 per cent mentioning a large branch network. A third wanted more machines, compared with 26 per cent wanting more branches. More people had visited a machine than a branch in the past week. These and other findings are likely to become more pronounced in future years, because the survey also showed that 64 per cent of people aged over 65 had never used a machine, whereas almost 90 per cent of people under 25 used them regularly and wanted more. But financial institutions are installing ATMs for their own internal efficiency reasons, too. A customer trans-

acted in envelopes. These are opened and cheques are sent to processing centres. Image processing is now being introduced into ATMs so that customers do the data entry, removing the need for paper handling by the bank. In addition, the ATM can print an image of the cheque on the customer's receipt, providing more proof of the deposit. A bigger leap is to provide ATMs that can offer virtually all the services of a branch. Nationwide Building Society has pioneered this in the UK with a trial of 10 machines containing touch-sensitive screens, sound, text, graphics and video-phones. This project enables it to concentrate expert staff in one location instead of trying to provide specialist advice in every branch. Customers are presented with a picture of a branch. They touch the doors, which open to reveal a receptionist, who advises on using the system. They can inquire about mortgages, loans, insurance and savings accounts. They can find out the size of mortgage they qualify for, and the repayments, plus calculations on the return on their savings. There are also video clips on the role of solicitors and surveyors in home buying. Customers seeking even more information can link via videophone to staff at the head office. Nationwide says the machines have been "positively received" by customers in the first 18 months. It is evaluating the project to see whether to increase the number of machines. The project has been a hefty one involving Andersen Consulting, ICL and others. Today's standard ATM costs £18,000-£20,000 - but Dr Adamson at NCR says cost is not an issue: "The prices have been constant for 17 years, yet functions and processing power have been added at an amazing rate," he says. "Return on investment can be as little as 18 months." He adds that banks in particular still have some way to go in exploiting the full potential of this technology: "Retailers would give their right arm for a box which attracted customers' undivided yet willing attention, marketed products to them and captured their business transactions - all with no staff involvement." "Creating the Value Network 1996. Ernst & Young's London office number is 0171-931-3284. **Attitudes to Home Finance and Technology, the ICL-MORI report, is available through 0171-614-4046.

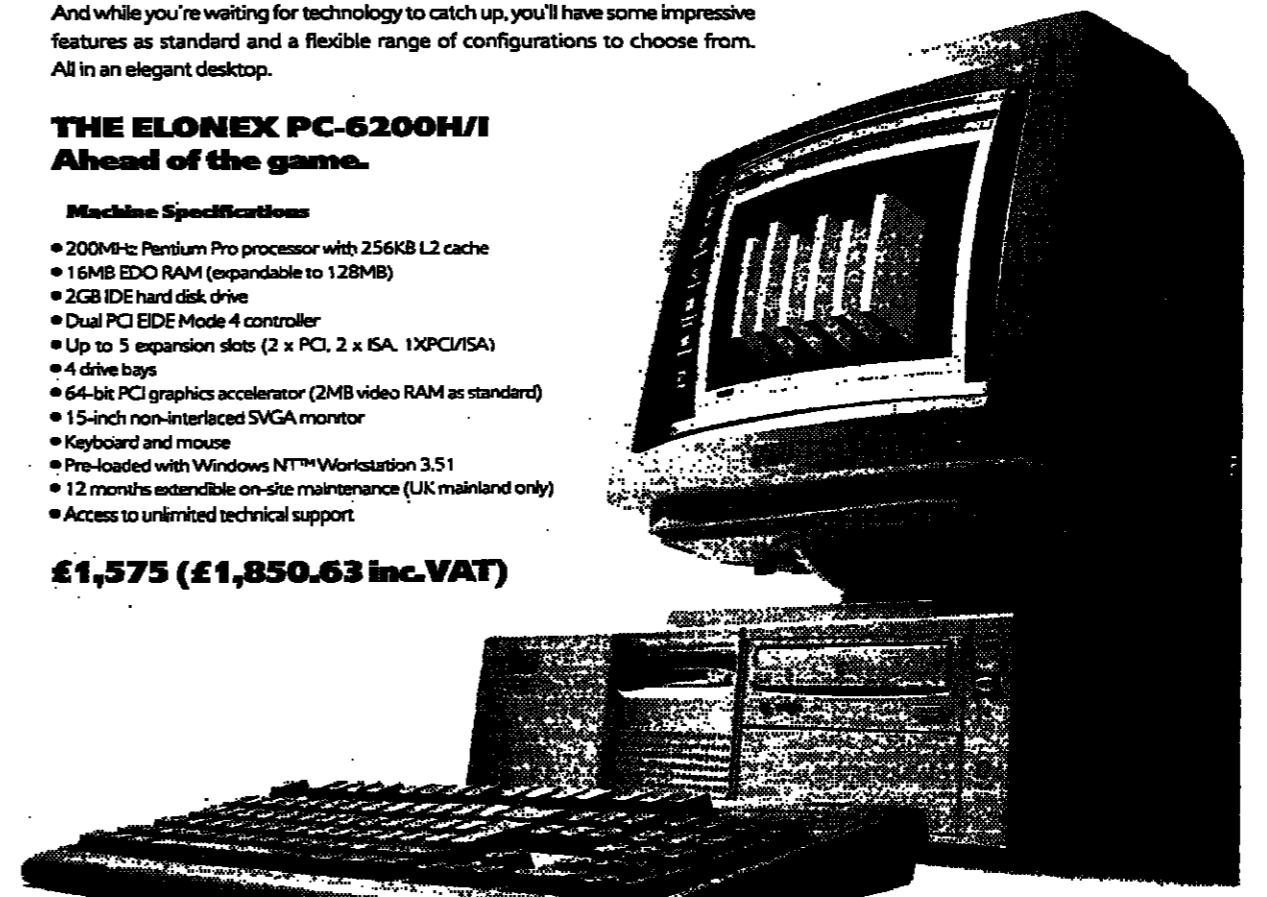
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8 FT - IT

Focus: IT in financial services

Detecting insider dealing - By Nuaja Moran

Stock exchange gets fuzzy logic

Artificial intelligence techniques are helping the London Stock Exchange to improve market surveillance

The London Stock Exchange is to step up policing of the market with a new computer system that uses a range of artificial intelligence (AI) techniques to detect suspicious share dealing.

The stock exchange believes the Intelligent Alert System (IAS) is so powerful it will not only improve its ability to detect insider trading and dealing rings, but will also provide better evidence when cases go to court.

Richard Kilsby, director of market services at the stock exchange, says the system will help advance the exchange's case that insider dealing could in some cases be a civil offence, where the burden of proof is reduced. At present, insider trading is solely a criminal offence.

much data and no indication of where to focus," says Mr Kilsby. For example, in June 1990, the system generated 600 alerts. After initial investigation, 90 of these became "red", in other words, were deemed worthy of further attention.

Some stock markets employ statistical techniques to provide a sharper focus, for example, looking at 30-day trends. But Mr Kilsby says the value of this approach is limited because the trends are assessed against the overall market. "The high tech sector may move against the rest of the market, meaning the alerts are all the wrong way round."

Rather than providing an alert to a particular event, IAS will provide a report of any patterns of trading that arouse its suspicions. "It will not merely say 'Here is a price rise', but 'Here is a price rise and this individual made these trades around it,'" says Mr Kilsby. In fact, IAS can look at the trading patterns of the market in total, in relation to a price rise.

"Coincidence gets noticed," says Dr Jason Kingdon, director of Searchspace, the company which developed IAS. "For example, it would take note that someone sold before a profits warning and then bought back again. That in itself is not culpable, but if the same thing happens again, it starts to become interesting."

If it gets a lead, the system will also look back historically, through as much as five years' trading data, to see if it can pick up other examples of the same thing. The system is able to prioritise and change the amount of effort it puts into each investigation.

"In other words," says Mr Kingdon, "IAS takes a human-type approach. Someone doing research might go to a library with a reference to one paper, and then look up the references given there. This would lead them to something they would not have bothered to look at."

In terms of following the trail, the London Stock Exchange has an advantage over other exchanges because its trading data allows it to identify not only the member firm but also the end customer.

Artificial intelligence techniques such as fuzzy logic, genetic algorithms, expert systems and neural networks are increasingly used in commercial applications such as data warehousing or marketing databases. In harness with faster and faster computers, these techniques make it possible to look for patterns, or pick out individuals, from a mass of data.

IAS is much more powerful and flexible than existing AI systems because it uses a range of techniques in concert, in an approach that is termed "Hybrid Intelligence".

As yet, there are few examples of commercial systems which employ hybrid intelligence. Searchspace was spun out of University College London's Intelligent Systems Group in 1993. The development of IAS was sparked two years ago, when the company was approached by the London Stock Exchange to assess if AI could be applied to improve market surveillance. The prototype was so successful that the exchange decided to go ahead with a £500,000 investment in a live system. The graph published

with this item provides an example of the power and flexibility of the system. It was used to detect a "Suspect Concert Action" where two accounts traded together most of the time, and they also made the same amounts. This is suspicious for several reasons. First, if it is the same person why do they use two accounts? This implies that they pay double the commission on the trade. Secondly, two days before a profits warning on this stock, both suspect accounts sold 7,500 shares. They then bought back just after the announcement, realising an instant profit of 80 pence per share. It is also interesting that both bought the shares in three batches of 2,500 over an eight-minute interval, raising them in a single trade of 7,500.

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Exotic technologies - By Michael Dempsey

Exotic technologies earn their keep

There was a gap in the market for a consultancy which could match real business needs with information technology

In 24 years of operation, CWB, the city technology consultancy set up by Christians Banziger has established itself as an £8m operation that will shortly be employing about 100 staff.

Formerly Deutsche Morgan Grenfell, NatWest Markets and Credit Suisse among its clients, it does together the technical elements that these bodies want in their dealing operations.

Banziger, with a pedigree of working in-house for institutions such as Swiss Bank Corporation, can make the most complex task sound simple. "We put in information distribution feeds and hook up the in-house applications so our customers can pass information around globally, we create one huge information bus."

The City of London appears to be awash with large high-powered consultancies and their technical teams all determined to win lucrative contracts to implement IT strategies. But despite this intimidating opposition, Banziger spotted a gap in the market. "I set up CWB to address a huge niche. There was a real need to join up the business side of things with IT. We try to coach businesses to use IT appropriately."



Christians Banziger can make the most complex task sound simple

This aim of focusing the technology to the real needs of each trading position highlights a sore point in the City's relationship with the IT industry. During the late 1980s institutions scrambled to install state-of-the-art dealing systems. Many of these projects appeared to be motivated by a desire to stay one step ahead of rivals without any real appreciation of the technical merits of the system.

A trader who could easily fulfil his role using an industry standard PC running a popular spreadsheet found himself driving a £10,000 workstation designed to manage sophisticated software beyond his needs or capabilities. This overkill contributed to inflated IT budgets and kept an army of consultants in business. But it did nothing to improve the efficiency of expensive staff.

Banziger remembers this era: "Only a small population of dealers saw a return on these investments, and even then that return was not too great. The technology was getting too sophisticated for the users."

She believes that vogue ideas have their place, but the application of the technology has to be clearly identified. CWB has worked on Nomura Bank's ambitious dealing room project where software house Applix provides a system that converts market information into a spreadsheet format instantly.

"The concept of a realtime spreadsheet means putting that spreadsheet in front of all the usual market data. At Nomura we are training some of the guys to use this, but this is financial engineering and it isn't what every position needs. The big issue is how to manage a

trading floor and support the staff. That's why CWB gets so much business."

CWB sticks to its own agenda. "We do fixed price work. Not many people would do re-engineering from the coal face on a fixed price basis but we insist on it because we want to manage our own projects."

Formerly exotic technologies are now making an impact on Banziger's projects. When the Unix workstation - a computer offering capabilities normally associated with advanced design projects - first appeared in dealing rooms, the purchase was not always based on rational planning. "Everybody started to buy Unix workstations, but they didn't have the right technical skills. With the rise of operating environments that can be bolted on to the front end of Unix systems, that power now makes sense in the working world of non-IT specialists."

Tibco, formerly known as Tektronk, has sold its Tektronk Information Bus since 1987. The Tib is a software product that facilitates the distribution of information between different types of terminal. Tibco's success, with 45,000 trader positions for the Tib worldwide, reflects the diversity of computers in dealing rooms.

Clients pay \$4,000 to \$10,000 per position for a system that Tibco business development manager Phil Elberd characterises as "middleware". This means it sits between layers of technology, cutting out unwanted data by flagging those lines of information, such as the share price of one company or sector, that each position attaches priority to.

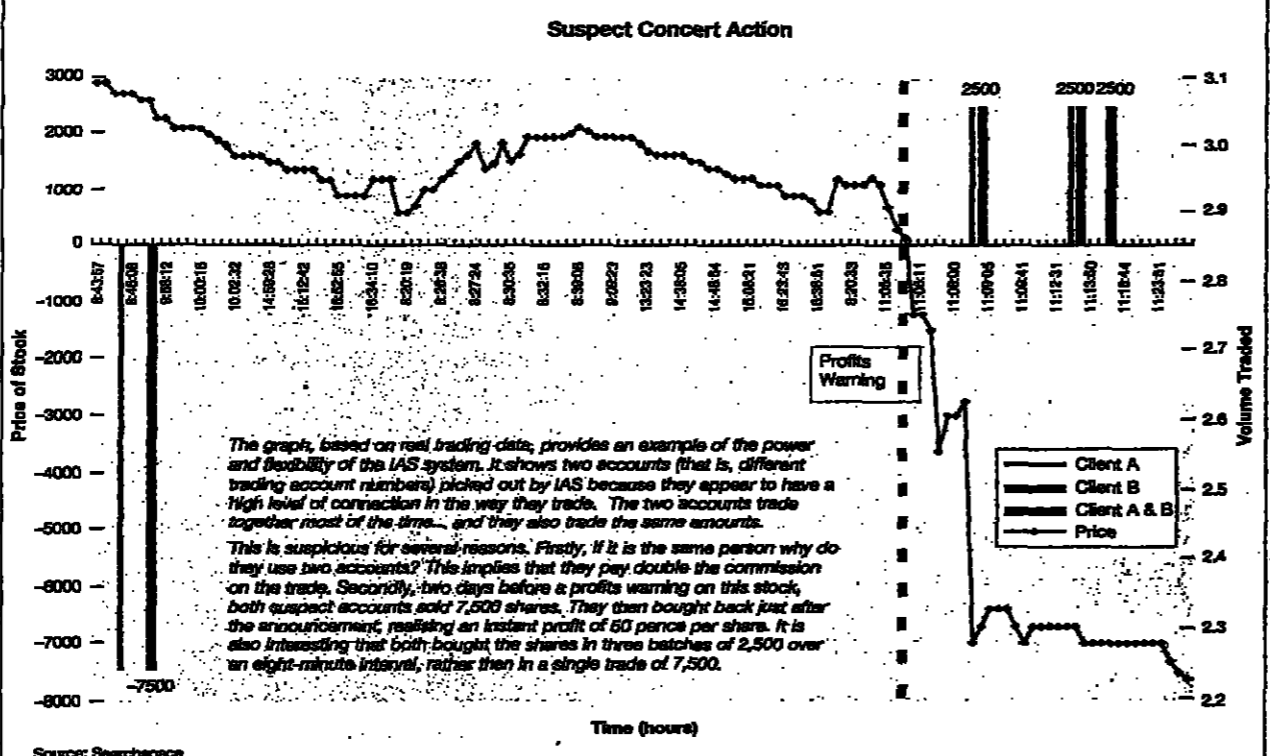
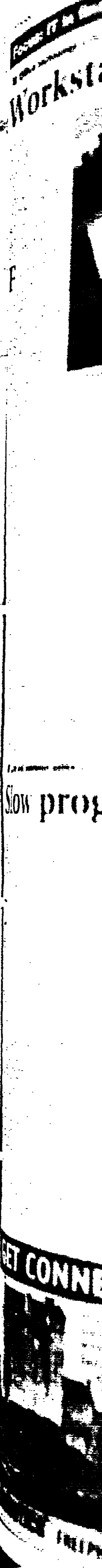
Although it is still run independently with its own board and \$135m turnover, Tibco was bought out by rival Reuters for \$125m in 1993. Most observers see this as a great compliment to Tib and a clear statement of the kind of service traders are demanding.

Sun Microsystems made its name bringing powerful Unix machines to a user community beyond the traditional Unix markets of engineering and scientific research. Now the \$7bn company does \$1bn of business in financial services every year. The UK financial services sector provides Sun with £70m worth of annual orders. It claims 65 per cent of Unix market trading and dealing systems sold worldwide.

So what makes Sun so popular with dealing floors? Matthew Frost, Sun UK marketing manager, traces this demand back to the move towards digital data feeds in the 1980s. Whereas traditional feeds had flowed down one hired line onto a single dedicated terminal, the digital feed meant different lines of data could be mixed and matched and displayed on one screen.

Unix technology came into its own in this environment, although Frost confirms it has taken several years for the City to acquire the necessary body of technical know-how. "Now buying Unix systems is pretty much a black box situation; you can buy the system and plug it in. The City has gained a huge expertise in Unix."

Sun machines sell for \$4,000 to \$50,000, with a typical Sparc 20 traders' workstation costing £10,000 to £15,000. Kitting out a modern dealing room is not cheap. But according to a recent survey of London-based institutions by treasury dealing systems company Taurus, the number one dealing room cost is staff. Systems still take second place to the right people.



Outsourcing in financial services - By Nuaja Moran

Savings financed new system

Since Andersen took over operations, the cost of Seaq transactions has fallen from 9p to 4p

There was triumph at the London Stock Exchange last week when the final phase of Sequence, the exchange's new trading and information system, went live. The fanfare marked not only delivery to time and to budget, but also the success of the exchange's outsourcing strategy under which it has cut the cost of its IT operations, using the savings to finance the development of the Sequence system.

When it decided to outsource the operation of a large part of its IT to Andersen Consulting in 1992, the stock exchange had an annual running bill for the systems concerned of £53m. As this figure was rising by 20 per cent a year, not only was IT digging a bigger and

bigger hole in the finances, the system that the money was being lavished on was old, fragile and in need of replacement.

Since the deal was struck, the cost of maintaining the old system has been gradually reduced, producing cost savings of £50m. And this money has financed the development of Sequence which will cost £35m a year to run.

Although Sequence was formally completed last week, it has been introduced in phases since the end of 1994, meaning that the exchange has had to support the two systems in parallel. "Not only have we succeeded in bringing costs under control. What we have achieved is the delivery of a new market infrastructure at the same time as keeping the existing, semi-electronic marketplace going," says Christine Dann, director of business operations at the stock exchange.

"This is like pulling off the tablecloth without disturbing the dishes."

London's new settlement system, Crest, also per-

formed its first live transactions last month. Mrs Dann said that together Crest and Sequence will give London a competitive edge over other markets.

"This is a technology leapfrog. The new infrastructure will give the market the ability to respond to change without the need for massive investments." For example, said Mrs Dann, the new structure allowed the junior, Alternative Investment Market, established just over a year ago, to be rolled out very quickly at no extra cost.

In addition, whereas the software code of the Stock Exchange Automated Quotation System (Seaq) had to be rewritten every time there was a rule change, Sequence can be readily adapted to changing regulations.

Since Andersen took over operations, the cost of Seaq transactions has fallen from nine pence to four pence. Mrs Dann said Sequence would allow the exchange to bring down further the cost of its services.

"This glowing assessment is a long way from the stock exchange's depressed view of its IT systems in 1992. Since the introduction of the Seaq trading system in the "Big Bang" of 1986, when the market first moved to computerised trading, expenditure on IT had risen inexorably. At the same time the systems were getting very complex and difficult to operate, undermining the hub of the market. "It was costing us more and more for something we were less and less satisfied with," says Mrs Dann.

The stock exchange recognised it needed to get a grip. "We had to deal with the here and now of the legacy systems, stabilising the situation and through agreed, planned investment, improve the situation to the point where we could continue to run them."

"In parallel, we had to make plans for a new trading system environment and a new information services environment."

"The overriding problem was, how in dealing with the here and now, could we also start to generate funds to move from the old infrastructure to the new infra-



Dann: "Pulling off the tablecloth without disturbing the dishes"

nised, and in March 1993 Taurus was axed.

Under the outsourcing deal, the exchange still owned the trading systems. But Andersen was now responsible for operating them and providing the level of service specified in the agreement.

This allowed Andersen to reconfigure the resources. Better and more intensive use was made of equipment; processing was consolidated from five centres to one; the communications network was rationalised; more efficient use was made of disk storage; duplication of software was eliminated and disaster recovery was outsourced to a third party.

At £50m, the cost savings from this exercise are impressive. "But," said Alan Healey, the Andersen partner with responsibility for the contract, "the amount of unnecessary work and duplication of resources we found when we took over was probably no greater at the stock exchange than you could find in other organisations." Given the history, however, it seems fair to say that by 1992 the stock exchange had lost control over the cost and direction of its IT. One of the unforeseen side effects of handing over IT to an outside party is that the senior staff at the exchange have had to become more knowledgeable about IT, and have become more confident about managing it.

"Business managers learn through outsourcing. They understand how business decisions can affect, or drive, the use of IT," says Mr Healey.

As money was saved through streamlining and continuously improving the existing operations, it was put into the Sequence programme. Andersen has also been responsible for the development of the new system.

Mr Healey says that once "the tail of the Seaq system is unwound," the £35m-a-year running costs of Sequence will continue to fall.

The five-year contract between the stock exchange and Andersen ends in 1997, and Mrs Dann says the two partners are "now thinking about what to do next".

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Focus: IT in financial services

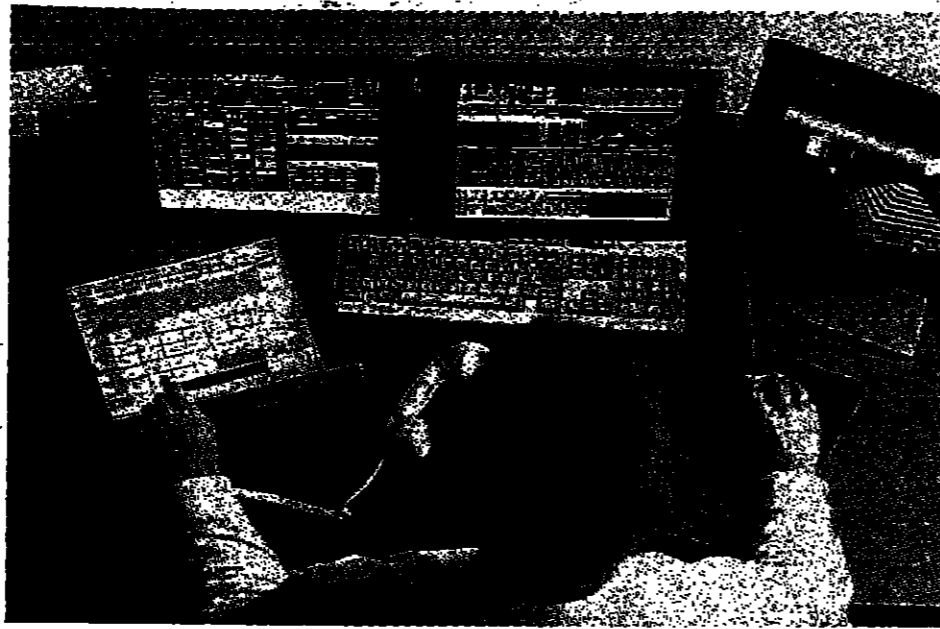
Workstation of the future

Syntegra will be inviting dealers to view the prototype and, through a series of workshops and seminars, generate ideas and feedback

Flat screen technology, voice recognition, data visualisation, text summation, ATM (Asynchronous Transfer Mode) networks and virtual acoustics are just some of the key technologies that will be reaching the market within the next five years.

"The question for financial services companies is 'What do we do with all that?'," says Mike Noy of Syntegra, BT's systems integration business. "Experience tells them they need new technology to stay competitive. But which technologies, and how should they be applied?"

Now, Syntegra has drawn these and other technologies into a single computer platform—a commercial prototype of the dealing room workstation of the future.



The prototype demonstrates how a range of new technologies could be applied to dealing room systems

could be a loop, with the dealer, agent and customer linked simultaneously. Similarly, colleagues in different time zones can be fully informed and pick up each other's activities. New York can take over when London closes, but the customer still rings the same number.

"The idea behind bringing them together in one platform is to make it easier to appreciate what the impact will be, and at the same time give customers the opportunity to influence what we are doing," Syntegra also intends to establish a programme to help customers incorporate individual technologies into their existing dealing room systems.

On first sight, the most striking thing about the prototype is the flat screen monitors. These are only about one inch thick, giving vastly improved sight lines across a dealing room floor. The 13-inch screens have clarity equivalent to a 17-inch cathode ray tube (CRT) monitor. At present the monitors from Hitachi cost £2,000 to £3,000. But the price is coming down and Mr Noy expects it to fall to £1,500 by the middle of 1997.

The improvements offered by flat screens are more than cosmetic: they take up 30 per cent less desk space. This could be very significant for some companies if it allows them to avoid an expensive move. The screens also use only 20 per cent of the power of a standard CRT monitor, and so require less air conditioning.

In the prototype, a personal computer controls the voice lines to the outside world in the same way as it controls the data links in a conventional networked system. The central server monitors what phone lines are active and keeps a record. This makes it possible to develop voice applications which will greatly reduce the need for note-taking and record keeping.

The system can react intelligently to external events, for example, it will respond to the collapse of a share price by automatically bringing up a list of clients in order of the size of their holding in that stock. Glicking the mouse on a name prompts the system to ring that client so the dealer can discuss the position.

in working collaboratively with colleagues and in dealing with clients." Mr Noy believes dealers will soon offer to install video links with key clients to improve the quality of communications. "In 10 years' time you won't talk to people without seeing them," he says.

Several of the current drawbacks of videoconferencing have been solved in the prototype. Advanced networking, and the high resolution of the flat screens mean that the picture does not flicker or break up. "Virtual acoustics" technology means that a person's voice comes from his or her image on the screen rather than a speaker on the desk.

One of the problems of desk-top videoconferencing is that no one has found a way of incorporating a video camera into a computer screen. Instead, they must be perched, bird-like, on top. Because participants are looking at their screen, not at the camera, it gives the impression they are avoiding eye contact. A project team in Marllesham is tackling this by developing software which morphs the video image in real time to create the impression of eye-to-eye contact.

Other technologies that Syntegra intends to offer "for discussion" include wireless networking, voice print microphones which will only transmit a specific user's voice, text summation for making an automatic précis of news stories and analysts' reports, text to voice realistic reading of text passages, voice recording and retrieval, and mass visualisation of data to create visual summaries of complex information and relationships.

Brief calm before gale force storm

Staff numbers might have stabilised but new employment patterns and changing demands for skills are building up extra pressures



Allen: 'Banks have started questioning the large sums spent on IT'

A relative lull in frenetic IT staffing activity is currently being enjoyed by the City of London—but this is just a brief period of calm before the next storm, which will be gale force.

Financial institutions have apparently almost sorted out their IT staffing, but have some immovable deadlines, new competition and new technologies ahead which in some cases threaten their very survival.

"The market is a bit more stable than last year, not so volatile as in the recession and after, with more optimism," says Mr Alan Johnson who led a study this year for consultancy Price Waterhouse.

For people who know trading systems," he says. "In this area you need to understand bonds and derivatives and put up with people who might throw their workstations through the window. This isn't a job for a quiet techie but for someone robust with good business understanding."

Mr Tyler says people with the right skills here can command "some extraordinary rates"—a reflection of the fact that 60 per cent of financial institutions are considering or starting to replace their dealing systems, according to the Braxxon study.

amendments. IBM, the world's biggest IT company, said just two months ago that the turmoil facing the industry was such that there was a compelling case for postponing Emu until after 2000, purely for IT reasons. A survey by IT services company Cap Gemini Sogeti found that 45 per cent of UK banks felt their IT would not meet the Emu schedule, a fact described by the company as "literally a commercial disaster", with some banks going out of business.

But other skills demands are also emerging as financial institutions find "stability" in their basic systems and in the staff needed to support and enhance them.

Slow progress on a rugged road

Delays have dogged efforts to computerise all aspects of sales by intermediaries

Convoys can only move as fast as their slowest member. Until recently this problem hampered a project to set up electronic trading between insurers and the independent financial advisers (IFAs) who sell a big chunk of their products. But now small groups of companies are breaking ranks to pursue specialist developments on their own.

The aim of the project is for all the stages of a sale to be conducted on computer. Huge savings should result. Ian McKenna, a consultant on systems for the life and pensions industry, calculates that it costs an average of £18 to produce one premium quotation. "If technology can reduce that to £3, that would be a huge step forward," he says. The total potential savings in this area alone are estimated at \$80m a year.

phone sales companies which provide a no-frills service at low cost to themselves and customers. But setting up a network linking over twenty insurers and thousands of IFAs is tough.

Origo, a company jointly-owned by 34 insurers, has spearheaded the effort since its establishment in 1988. At first it concentrated on developing paper-based systems to standardise data capture by IFAs. This led to the production of low-cost back office software. Then in 1991 it set up a joint venture—the Exchange—with AT&T Intel, to develop a sales and marketing hub for insurers and IFAs. Its new partner owned and ran Inview, a Videotex service on financial products, which became the basis of the project.

tions more accurate and IFAs to disclose the commission they would earn from recommending a product. "Suddenly the information IFAs needed was much more sophisticated," comments Donald Hume, manager of Origo's consultancy division.

The current version, CTP 1.4, covers "plain vanilla" life insurance and pensions, giving IFAs an electronic means of conducting research, requesting and receiving performance illustrations from insurers and proposing clients for cover. The next step will be the launch of CTP Version 2. This will cover more product types and let IFAs service existing policies electronically—an example would be valuing the cash-in value of a policy—an important advance according to Edward Ratcliff, deputy managing director of Sun Life broker services. He says: "We are keener on the applications of electronic trading for existing, rather than new, business. There is more to gain in savings for both the insurer and the IFA."

The launch, expected this summer, has been postponed to October. Origo and The Exchange fielded flak for the flimsiness of CTP Version 1.3, rushed out to coincide with hard disclosure. They are keen to avoid a repeat performance.

The delays have prompted criticism of The Exchange and of Origo from insurers. A report on EDI development projects for the CTP by consultants at EPMG fanned the flames. It claimed that budget planning by the two companies lacked "commercial responsibility", that there was "a requirement for quality assurance and risk management at Origo," and concluded: "Some of the benefits may not be achieved because of the failure of projects to be adequately scoped and delivered."

Origo managing director Sandy Neilson, who commissioned the report, says he was "concerned about Origo and The Exchange's new consultative structure." Now the flaws have been identified they can be dealt with, he promises.

"During the gestation period for electronic trading there was a serious need for consensus and homogeneity," Neilson says. "There has been frustration at the pace of change... but as CTP matures, fast-trackers will develop competing products, while sharing standards."

Mr Johnson points to moves away from central IT departments to distributed computing and networked PCs. "It is no exaggeration to say that the way IT is organised and delivered has undergone a revolution," he says.

This has had big impact, in several ways. The Price Waterhouse study shows that the changing skills needed by City institutions have become one of the top issues in the past year.

Mr Johnson and others point especially to the need for IT staff to gain business skills, because they work more closely with end-users. A recent survey by consultancy Braxxon Technology found that almost 40 per cent of City firms felt their IT was only "moderately aligned" with business goals. Yet IT accounts for 15-25 per cent of business costs for 80 per cent of City institutions.

Jon Tyler at Gatton adds the venerable Cobol to the skills list, pointing especially to the increasingly pressing but often underestimated need to amend ageing central systems to cope with the date change at the turn of the century. The issue here is that dates are typically stored as YYMMDD, so calculations involving dates will produce errors when the year changes to 00.

Mr Tyler also points to the possibility of European monetary union, which will demand program changes worldwide even if only two countries go live in 1999. Again, the skills needed here will range from Cobol to the latest languages as systems old and new need to be updated.

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CASE STUDY Electronic trading at Lloyd's

Deadlines pass quietly

While the London Stock Exchange's Crest settlement system was going live amid fanfare in July, an equally venerable institution - Lloyd's of London Insurance market - was quietly seeing the deadline pass for its most ambitious electronic trading project so far.

The July 1 completion date for a system for negotiating and placing underwriting business electronically had already been put back from the January deadline laid down three years earlier. But cultural, human and technical issues, some outside the control of Lloyd's, have now led to deadlines being replaced by informal targets.

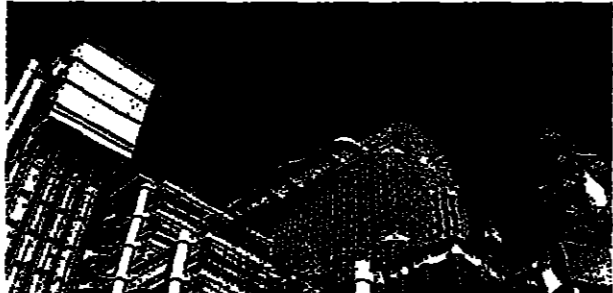
Lloyd's is no newcomer to electronic trading. It set up the London Insurance Market Network (Limnet) in 1987 with bodies representing brokers and underwriters, and Limnet has several successes under its belt. Limnet was formed to increase communication and efficiency among the 500 brokers and underwriters who do high-value business with each other through Lloyd's.

Brokers link directly to the Limnet data network, which is contracted out to IBM. Underwriters link through two bureaux. These were formed to administer business which is split between several underwriters; for example a bureau holds core details of a risk, eliminating the need for every underwriter involved to store this information and keep it up to date. Underwriters typically link to a bureau computer through terminals.

Limnet has 13 staff. It specifies applications, after gathering requirements and consensus among Lloyd's members, then promotes and supports introduction of the applications across the market. Project teams are put together from people seconded by Lloyd's members.

Limnet does not develop software once a specification is agreed, the work is done by the underwriters' bureaux and by broker companies or by software houses serving the broker market.

Progress since Limnet's formation has been such that it handles far more electronic transactions than any similar insurance organisation worldwide. It processes more transactions in two days than the



Lloyd's set up the London Insurance Market Network in 1987

European network, Rimet, handles in a year. It has led the development of electronic data interchange (EDI) messages in the insurance field. In 1992 it was joined in this work by Rimet and US industry organisations and together they are now acknowledged by the International EDI standards authority as the insurance message development body.

Today, about 90 per cent of claims messages in Lloyd's flows electronically through Limnet. Brokers say the system has reduced meetings and paperwork and speeded up settlement: one firm is handling twice the number of claims with just a 15 per cent increase in staff. Limnet also carries more than 90 per cent of all signings; these are simple transactions, such as direct debit advice on premiums

and claims, yet electronic handling has again brought huge savings in matching cash to clients, risks and underwriters.

Brokers have armies of staff matching payments and business from overseas underwriters, but just a handful of people doing the same job on Lloyd's terminals.

EDI is used for 100 per cent of requests from underwriters to brokers to buy reinsurance on their behalf for certain risks.

Electronic placing support (EPS) has proved more difficult. It seeks to provide an electronic alternative to the personal visits and negotiation between brokers and underwriters that lead to a risk being shared by several members.

"Remote, electronic placing is not new: it's been done by telex and then by fax with overseas underwriters for years," says Limnet director Michael Burton. "But the face-to-face negotiation we have in London is a competitive strength."

Limnet has persevered because of the significance

of capturing data about a risk at the start of the business cycle. Once the basic data is stored electronically it is available for all the subsequent signings, claims and reinsurance transactions.

Complex, personal negotiation is highly interactive and is supported by very large volumes of information. End-user screens and standard EDI messages with fixed-length fields do not lend themselves well to handling large amounts of unstructured information.

Limnet is now looking at splitting the information, with basic data put into EDI messages and back-up documents moving as electronic mail messages, perhaps as attached image files. "This is a short-term or medium-term expedient," Mr Burton says. "The Edifact authorities are looking at adding such attachments to EDI messages, but we can't wait for them. The X.400 messaging standard is supposed to handle this, too, but no one's implemented X.400 fully."

At the same time, Limnet is specifying a compromise which allows traditional negotiation to continue for complex risks but records the outcome electronically. Once an agreement between a broker and a group of underwriters has been finalised, the negotiation documents can be added to the electronic record.

"This is something of a dilution of what we are all trying to achieve ultimately, but it does support the way the market operates today, instead of imposing new methods," Mr Burton says. "All these issues have combined to hit the deadlines. At the peak of the insurance renewals period last December, less than 10 per cent of business was done via EDI. Early that year the original January date for 100 per cent had already been put back to July 1996, but when that revised deadline arrived, electronic volumes were still running at no more than 15 per cent."

Mr Burton expects a dramatic increase once the "diluted" version goes live, probably next year. He believes 60 per cent of all the 1997-98 renewals business will be done electronically.

Firm deadlines have been dropped in favour of informal targets, but Mr Burton believes the original schedule served a useful purpose: "We wouldn't be where we are today if we hadn't tried so hard to get further than where we are," he says.

John Kavanagh

Mr Burton says. "The first system handled 75 per cent of what was required but people said they would wait for the second version, when all the functions would be provided. The 1996 deadline seemed a long way off, but there was an 18-month wait for software houses to develop the system.

"As the software became available, we had great difficulty persuading people of the scale of the task of rolling it out to companies and then to individuals in those companies."

Mr Burton is perhaps being diplomatic here: some EPS champions say that the desperate days of the early 1990s, when recession and a succession of big claims threw the whole future of the London market into question, had gone, and confidence was returning. People who were used to personal negotiation took new attitudes to what they saw as IT interference with the way they worked.

But technology limitations also played a part, as Mr Burton explains: "Electronic placing through EDI is

Introduction By Rod Newing

Market upheaval looms

The larger accounting vendors are working hard to enable their products to run on the Web, which is object-oriented

While many organisations are still implementing new Dos-based accounting systems, some of the leading vendors are addressing the latest technology trends. There is an important market upheaval on the horizon which will see some big names struggle and some new ones emerge as winners.

"Object technology will give companies independence from hardware platform, software language and data location," says Jack Hassal, chairman of the Object Management Group's Financial Task Force. "This will give them systems integration on a large scale. The ability to mix and match application modules will open a new level playing field and the big players will really feel the impact because of their massive applications."

"Small companies have a degree of enthusiasm, dedication, speed and foresight not possible in large organisations. The future is small organisations producing specialised objects. Accounting vendors will then compete on implementation, not specification."

Object technology is having a big impact on accounting systems vendors and is starting to affect users. Dun and Bradstreet Software, the recently sold subsidiary of the business information group Coda, the financial ledger specialists, and Lawson and Software 2000, the business software specialists, have already produced object-oriented packages.

SSA, another business software vendor, is taking it seriously enough to buy Softright and Integrated Objects, two specialist object companies, and now employs some of the best brains in the object world.

Forrester Research has highlighted the importance of object technology in its controversial report on SAP's R3. They believe that SAP are working on a new product, built from scratch using a distributed object design. "As soon as the market understands its direction, R3 will be branded an unattractive previous generation product," says Bobby Cameron, Forrester's Director of Packaged Application



Dun and Bradstreet's SmartStream: 'At the leading edge of what distributed computing will become'

Strategies. "Dun and Bradstreet's SmartStream is at the leading edge of what distributed computing will ultimately become," he continues. "Their process design and workflow can create flexible automation."

Danish company Navision is an example of a smaller, more flexible, company to which Mr Hassal referred. Its object-oriented accounting package was the first to be "Designed for Windows 95" and has won widespread respect for its flexibility. For example, the UK's Civil Aviation Authority purchased Navision Financials, to work alongside its existing ledger system, as the only software which would meet its specific needs.

When the organisation was split into air traffic control and regulatory services, Navision was implemented for the latter.

"Making changes to existing systems is extremely fast, as is developing new modules," says Richard East, CAA's Group Finance Director. "We use existing Navision objects which are simple to modify. It is absolute magic. We are so impressed with Navision that we are thinking of setting up a solution centre to help other people implement it. Navision captures the imagination."

The Open Applications Group (<http://www.org>), founded by American Software, Baan, Coda, Dun and Bradstreet, J.D. Edwards, IBM, Marcam, NEC, Oracle,



Software at Work

Accounting packages

QAD, Peoplesoft, SAP, Software 2000 and Texas Instruments, cannot wait for object technology to provide systems integration. The group has been working for a year to provide integration links between its different products. It has already demonstrated Coda Financials working with Inventory modules from Marcam, Oracle and SAP.

"Although we are looking at traditional linkages, we have a close relationship with the Object Management Group and Microsoft for component objects," says Mr Phil Dawes, managing director of Coda International. "We have compared customer bases and contacts to identify a list of joint prospects. We are also setting up a Customer Advisory Council. It is looking positive, constructive and optimistic."

They will do well to convince the analysts. "The OAG is a wonderful idea," says Mr Cameron, "but it will never work. Their data structures are too tightly integrated. Changes in one place can have profound unexpected impact in other areas. When planning and control itches, fixed assets scratches. Standards are dictated by benevolent dictators and market success."

Simon Edwards, managing director of Systems Union, market leader in executive agency accounting systems, says: "Within the next five years, the Internet will be the principle force that all accountability software suppliers will build their applications on and around. The Internet is the biggest revolution to applications ever, but it will sit beside traditional clients for a long time to come."

The larger accounting vendors are working hard to enable their products to run on the Web, which is object-oriented. Accounting systems could be an ideal application for network computers working on an internal corporate Intranet. There is also an anticipated need for many of the accounting modules to be made available to customers and sup-

pliers on an external Web site.

"Outward facing applications are a source of competitive advantage," believes Mr Cameron. "This doesn't mean just order entry, so all applications must become customer-ready. The growing reality is that your customers and trading partners will become regular users of all your corporate systems. However, Internet computing will make many client-server technologies obsolete, so to address this need, buy outward facing applications from Internet-focused vendors like Vanitve, Aurum and Scopius."

Although work is proceeding in this area, vendors have no experience to guide them. "The Web has caught everybody's imagination," says independent accounting software analyst Dennis Keeling. "It is a no brainer that it will take off, but it is still uncertain what form it will take."

"Workflow has always been an issue in accounting systems, but it is becoming increasingly important because of its ability to provide competitive advantage. Object technology and the Web are becoming increasingly important enablers which are bringing new urgency to an established area."

"Workflow is good for end-users because it provides productivity which Object technology and the Web won't," says Mr Keeling.

"Dun and Bradstreet have done well and Oracle and SAP have just produced good workflow engines. We now need the big six consultancies to build them into their business process re-engineering methodologies."

Compucon has recently launched its Best Practice Object library which is a collection of pre-built workflow process models. They are based on benchmarking metrics developed with the Hackett Group, a leading consultancy. Workflow was also the key reason why Salomon Brothers became the first user of Dodge Group's payables package, although they were not a user of its general ledger.

Companies currently buy packaged applications defined by traditional boundaries, such as general ledger, order processing or accounts payable. "The dream alternative is for each organisation to specify a process and buy a collection of components that combine to automate the process, which is the space Lawson is targeting," says Mr Cameron.

"What makes this possible is component design. Forrester believes this is the future model for the packaged applications market and that by the turn of the millennium, traditional applications will be a thing of the past."

Activity-Based Costing By Rod Newing

A solution for all seasons

New software partnerships are making activity-based business intelligence available to managers enterprise-wide

When you marry ABC with Olap ([Online Analytical Processing](http://www.onlineanalyticalprocessing.com)), you end up with Activity-Based Business Intelligence, a solution which all managers want," says Chris Pieper, chief executive of ABC Technologies.

"It is really kicking our business into high gear in all parts of the world. Everybody has been waiting for these technologies to come together."

Activity-Based Costing

("ABC") and Activity-Based Management ("ABM") have been around for more than 10 years. Most forward-thinking companies have implemented them, or are in the process of doing so.

ABC is not a method of costing, but a technique for managing the company better. It is a one-off exercise which measures the cost and performance of activities, resources and the objects which consume them in order to generate more accurate and meaningful information for decision-making.

ABC draws on ABC to provide management reporting and decision-making.

ABC is a management technique which has so far been beyond most general ledger systems. It involves a very detailed two-stage allocation process in which resources are assigned to activities, which are then assigned to products, ser-

vices, customers, salesmen or distribution channels, on the basis that they use those activities. The calculations require costs and revenues to be combined with operational data on activity levels.

Data has to be transferred from the accounting system into a separate software package. Spreadsheet models were cumbersome and have been largely replaced by specialist software packages which are designed to combine cost and activity data and carry out the detailed calculations. Popular packages are Oros, HyperABC, CostControl and NetProphet.

However, they were PC-based and were poor at reporting the complex multi-dimensional cost model they produced. Oracle Financial Analyzer has long been popular with specialist consultants, because it is client-server oriented and can report interactively from its Express multi-dimensional Olap database. One or two companies also built their application using other Olap tools.

However, the complex model needs to be built from scratch, so many organisations choose to use the specialist ABC software packages to produce prototypes, before investing in Olap tools. But in the past few months the specialist software vendors have been forging alliances with Olap vendors such as TM/1, Cognos and Arbor. This gives users the benefit of the ABC expertise already built into the specialist packages, combined with the powerful multi-dimensional reporting of the Olap servers.

More importantly, it gives organisations embarking on an ABC-ABM exercise an opportunity to build their existing management reports using the Olap tool

first. They can then build the prototype and cost model using the specialist package and compare the results with traditional reporting.

An ABC model built on such a platform enables the same costs to be viewed as activity costs, product, customer or even channel costs as well as the traditional cost centre and account views.

"Our users don't want ABC in isolation, they want to bring ABC into their existing planning, budgeting and reporting cycle, and they want it across the organisation," says Martin DeVillie, Oracle's Business Development Manager. "We tried to get in early at the prototype stage, but clients preferred specialist ABC packages. These only work at the early stages, so we have produced consulting templates. These give much more flexibility, so our

As usage of the data spreads, so more users will need to access it.

users' systems all look very different."

The client-server architecture becomes more important later in the ABC project, when full-scale implementation accumulates actual data as part of a continuing ABM management process. As usage of the data spreads, so more users will need to access it interactively. Each month's data is subjected to detailed calculation and the volume of data increases very quickly.

"ABC explodes the num-



Peter Quinn: real benefit

bers," warns DeVillie.

Chris Pieper says: "Our industry is drowning in data. So PowerPlay's ability to slice and dice it was a good fit. The data grows quickly, especially when sales data is added to give profitability. ABC used to be accessed by accountants, and couldn't deliver data to the desktop. Easbase now gives the scalability which enables ABC to become an enterprise-wide tool in a large-scale rollout..."

JBA is one of the few vendors to have developed its own ABC module fully integrated into its general ledger. "The information it produces only gives limited benefit to end-users of the underlying data," says Peter Quinn, business development director. "To get real benefit, you need to apply some form of Olap tool on top, to provide business intelligence. We have integrated CorView's Envisage tool, which allows end-users to request information and drill down in order to understand the vast volumes of data without having to understand the database structure."

The Consortium for Advanced Manufacturing-International (CAM-I) is a non profit-making organisation which researches advanced management techniques and has pioneered ABC and

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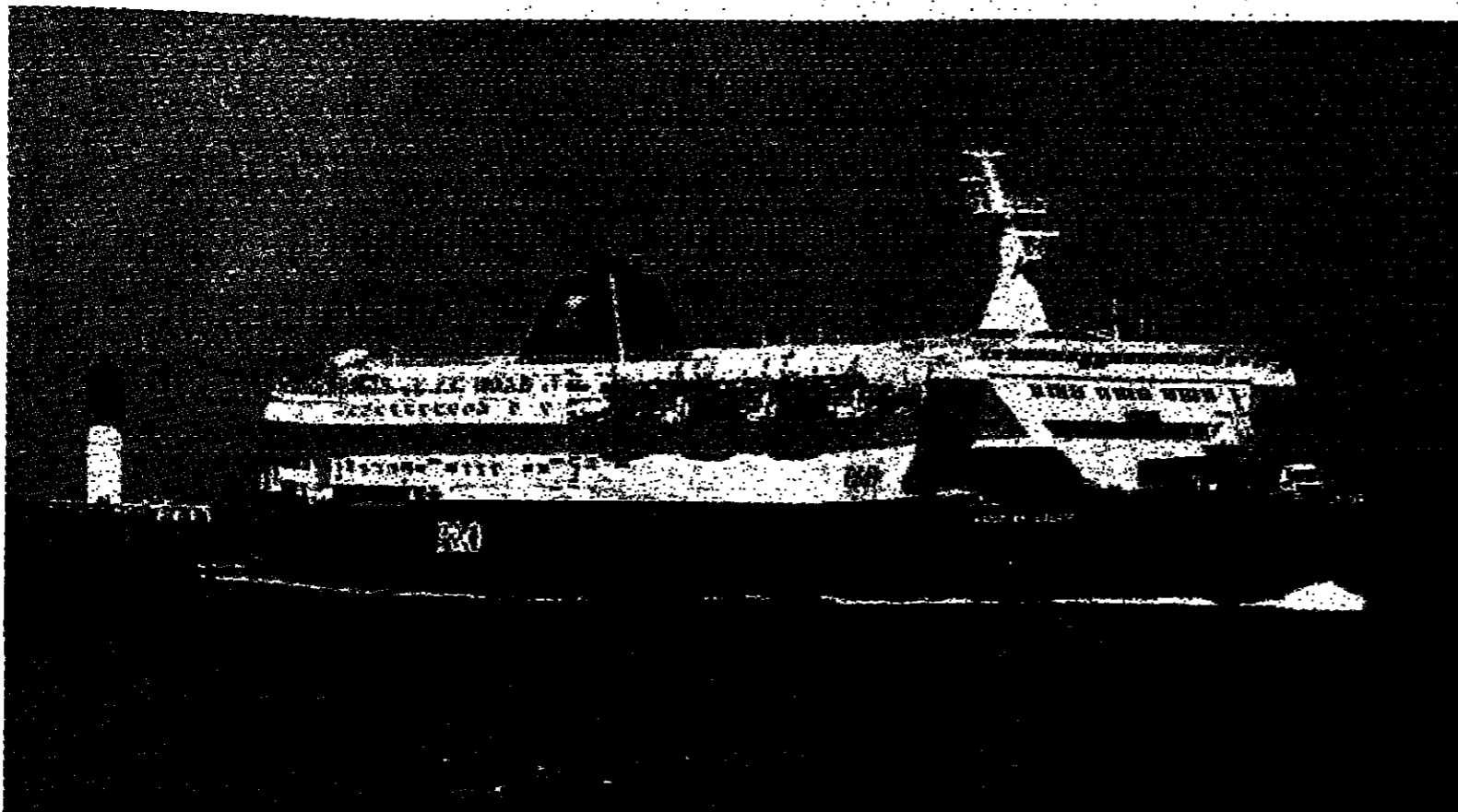
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معلومات الأصل

Software at work: Accounting packages



Since P&O European Ferries installed Coda, the company has more than doubled its level of business but has cut its accounting department staff from 270 to 98

Implementing new systems

Users focus on shortcomings

Most suppliers are facing a huge rewriting task to modernise their products and probably only a few have the resources to do it

Considering the very wide range of accounting packages on the market, one might expect to find a higher number of satisfied users. The level of customer satisfaction with installed products is 'breadthful', according to Mr John Tate, a director of the consultancy Tate Barnard. Users are more likely to talk of their complaints about the software they use than of the benefits they have derived from it.

But often flexibility is also lacking. Although users say they want to move to a client-server software structure, Mr Tate questions whether any fully client-server systems suitable for use by multiple sites yet exist. Many people want Windows versions of their installed software, but either their suppliers cannot deliver the goods or the systems have poor imitations of Windows. Most suppliers are facing a huge rewriting task to modernise their products and probably only a few have the resources to do it.

Some of the leading products are inadequately supported, even in some countries where good support might be expected. At the same time, other good products are little known because they are inefficiently marketed. At the top end of the market, large and medium-sized corporate users have to choose between integrated products offering complete business solutions, and picking 'best of breed' systems for accounting, manufacturing and other functions.

Many organisations which operate internationally are looking to standardise. The charity Save the Children Fund is replacing more than 30 different bits of software worldwide with a single package from Systems Union. This was chosen as the best on multi-currency and multi-language capabilities, according to Mr Pete Smith, its information technology manager. 'It was the only one which could cope with the four different currencies of Liberia,' he says, 'and the only one which had both Arabic and Thai versions.'

The package will be installed in more than 80 countries in the next two years, Mr Smith says. It will help improve efficiency but more importantly will be proof to donors, especially government-sponsored donors, that the charity is being run efficiently and therefore worthy of support. The ability to handle very large volumes of data is a principal criterion for some multinational firms. P&O European Ferries, for example, has to deal with about 70,000 invoices a month.

When the increase in that volume compelled it to find a new package a couple of years ago, Coda was one of very few that could do the job on a Digital VAX machine, according to David Moss, financial controller. Five of Onken's staff are involved in running the system. The company will soon move to receiving customers' payments electronically, which should further reduce its paperwork.

In the public sector, accounting systems upgrades have been largely driven by changes in government policy, particularly the introduction of compulsory competitive tendering and the conversion of departments into agencies. Privatisation of accounting departments and their computer systems, or the prospect of it, has led to many new, more commercially-oriented systems being installed.

The adoption of an internal market in local authorities, with schools becoming responsible for their own budgets, has had the same effect. Hertfordshire County Council retained its central mainframe for running a general ledger, but three of its branches opted to downsize to accounting systems on Unix servers running Tetra applications.

David Cowan, head of business and finance in the property department, says they took this route because they believed they could handle their accounts more cheaply in this way than on the mainframe, even though that had been outsourced. Although it took six months to tailor the software from Tetra and K2 Systems to their requirements, he says it proved worth the effort by making the department better able to cope with changing demands.

At Onken Dairy, the small UK sales and marketing arm of a German dairy products manufacturer, Pegasus's Opera accounts package is linked to the Pegasus electronic commerce system Edition. This has enabled orders to be received and invoices to be sent electronically and



Systems Union software helps the Save the Children Fund in Liberia

both transmitted directly to the accounting software. 'This has saved a lot of re-keying of data and guarantees accuracy,' says financial controller David Moss. Five of Onken's staff are involved in running the system. The company will soon move to receiving customers' payments electronically, which should further reduce its paperwork.

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Budgeting and forecasting

Old systems may be running out of steam

In many cases, users are looking for systems which are tailored to the needs of their own market rather than general-purpose products

Budgeting and forecasting are functions which are increasingly sought in software packages. The reasons for this trend are unclear. It may be partly because business horizons are lengthening after the end of economic recession. And business people may be gradually becoming more optimistic about their commercial prospects and starting to plan a little further ahead.

day to keep up with competition - and are changing their forecasts based on new information gathered about customers' buying patterns. This calls for much more flexible and sophisticated methods of budgeting and forecasting. These are therefore seeking more complex software than their old bespoke, often spreadsheet-based systems. Many users of corporate accounting systems adopted their own spreadsheet systems based on Lotus 1-2-3 or Microsoft Excel because they were not satisfied with the budgeting capability of their accounting system. But these old systems may now be running out of steam.

'Spreadsheets can't handle this any more,' says Mike Coveney, marketing director of business software developer Comshare. In many cases, users are looking for systems which are tailored to the needs of their own market rather than general-purpose products. Users can pay anything from £100 to £100,000 for a budgeting system, depending on the complexity of their requirements.

companies do budgets within their accounting system, others do it separately,' he says. 'Even within one company there may be different ways of budgeting in different divisions. It is up to software developers to allow users to budget however they choose.'

Accounting packages and integrated business suites now offer more options for handling budgets to suit the many different ways that companies like to do it. JBA's business suite, for example, performs budgeting within its general ledger but also provides interfaces to a range of external systems. Alongside the very wide range of accounting software which includes some form of budgeting facilities, a few products have been developed which concentrate exclusively on budgeting. These generally have more than enough budgeting functions to suit the most demanding users.

At the lower level, the general move from personal computers running the Microsoft Dos operating system to Microsoft Windows has brought a new crop of relatively simple budgeting packages. One snag with separate budgeting systems may be in moving data between them and the accounting suite. Many accounting packages

are not good at importing and exporting data to and from budgeting systems and this can lead to a lot of re-keying of data which is time-wasting and increases the chance of errors creeping in. Data transfer can often be done using one of a number of standard methods, such as the CSV (Comma Separated Values) format or through Microsoft's DDE (Dynamic Data Exchange) system. If both accounting and

systems. Many of these claim to be Windows-compatible but are not, according to Mr David Pepp, consultancy director of Kewill Omnicron, the accounting software arm of Kewill Systems. Much software is dressed up to look like Windows and has a Windows front-end, but users should look for products which are certified by Microsoft as Windows-compatible, he says. Re-writing applications to a new operating system is a big task which takes a lot of time and money. Only a minority of vendors have so far got around to supporting Windows fully. Users may also be well advised to choose products which comply with Windows 95, the newer version of the operating system. This is not only faster in processing but is less likely to crash - and if it does crash, it is less likely to lose work-in-progress by users of the accounting and budgeting systems.

But growing interest in budgeting could be a sign that competition is getting tougher and that businesses have to change their prices and revise their budgets more often. Whereas a few years ago most budgets were made annually and either fixed for that time or revised once only at the half-way stage, now they are often made on a monthly or weekly basis. In some cases, businesses are changing prices day by

budgeting packages are compliant with Microsoft's Windows operating system, data can be transferred invisibly to the user at the push of a button, using DDE. This comes with all applications which are certified by Microsoft as Windows-compatible. It is likely that a standard budgeting system, having been recently developed, will be Windows-compatible. But many of the dozens of accounting packages are strictly 'legacy' systems based on older operating

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Re-writing applications to a new operating system is a big task

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Internationalisation

The global debate

The provision, use and support of international accounting software is more complex than the vendors suggest

There appears to be a growing demand for global accounting systems capable of being implemented at a company's head office and in each of the company's subsidiaries anywhere in the world. Such a package would need to handle multiple currencies and languages, support international trade and meet the local regulatory and fiscal requirements of every country in the world.

tion", which is the ability of the software to support operations in a wide range of countries and between currencies. Localisation is an expensive and unwieldy process which provides few benefits. Truly international software must be designed as such from the ground up, because it affects the fundamental architecture of the package. There are two fundamentally different approaches to internationalising software. The first is to maintain a single central source code which can cope with all requirements around the world. The other is to use local resellers to customise the original code, using their own in-depth knowledge of the local market to make the required changes.

Both internal and external support needs to fit in with the business hours of users, however. For example, US companies have tried to provide support in Europe from California, where there is only a two-hour overlap. Some vendors prefer to supply support in the local language using local expertise. The drawback of this is that local changes in configuration or 'bug fixes' might be made without other parts of the organisation benefiting from the solution, thus destroying the common international model.

Sweden's company Scala has a policy of purchasing a local company when it enters a new market, or working with a leading consultancy where none is available. This provides local expertise and support for its centrally controlled code. International packages tend not to dominate national markets, so an alternative strategy is emerging, which is to expand by acquisition. Sage, which dominates the UK accounting market for small- to medium-sized companies, has purchased two French companies to become the dominant company in France, as well as Dacasey, a successful US budget-priced package. It will continue to expand by acquisition, with its approach driven by the need for strong local branding and good distribution, which smaller companies need. However, this strategy requires it to maintain a series of local products, rather than a single international product.

Alternatively, the organisation may have subsidiaries in similar businesses, but of differing sizes. Such an organisation may prefer to use a powerful but complex accounting package to give it a competitive advantage at head office and in its biggest operating units, but may use a second, more modest, package at smaller subsidiaries which cannot justify supporting the larger package. Again, using specialist financial consolidation packages allows two different accounting systems to co-exist happily in the same organisation. However, where the business model is similar in each country, standardising on a single accounting system and chart of accounts worldwide may be the best approach. In this case, the accounting system may even carry out financial consolidation itself. However, users must take care to distinguish between true financial consolidation, requiring a number of eliminations, adjustments and journals, and simply adding up ledger accounts, which is all some accounting systems are capable of.

Clearly, the need for international packages is going to grow

Clearly, the need for international packages is going to grow, just as local fiscal and legislative requirements are going to increase and constantly change. Choosing an international package requires an understanding of how it is written, used and supported. The answers may not be as simple as some vendors may suggest.

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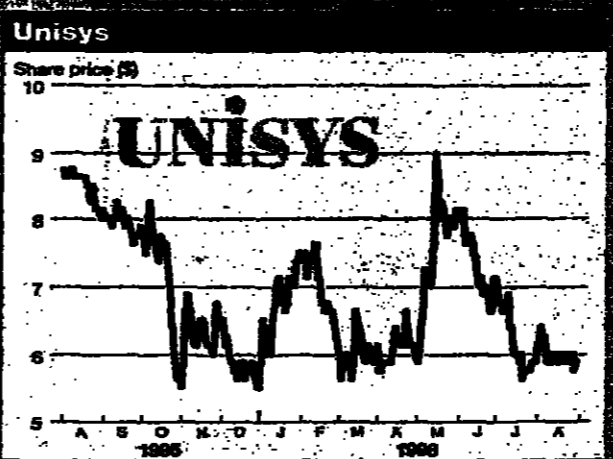
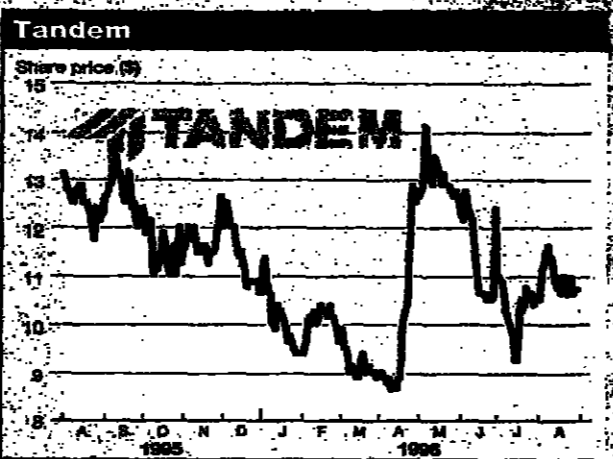
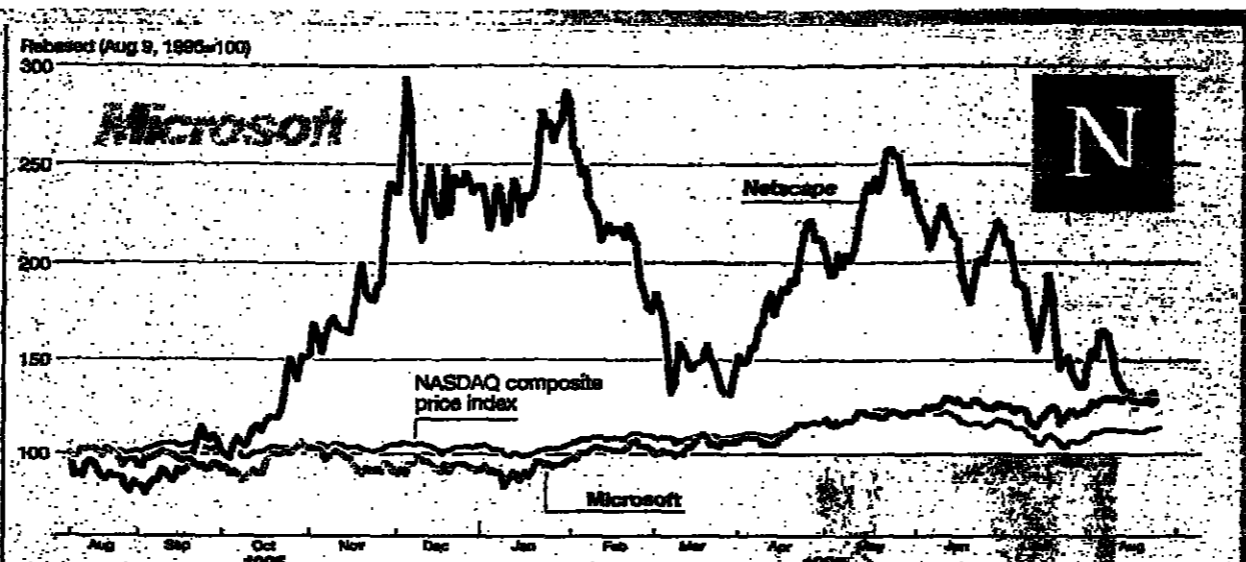
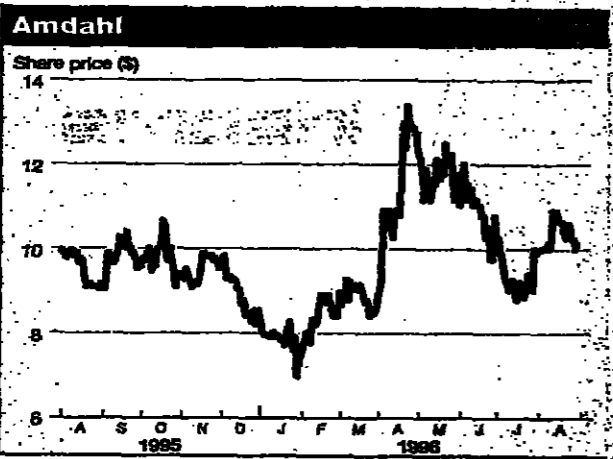
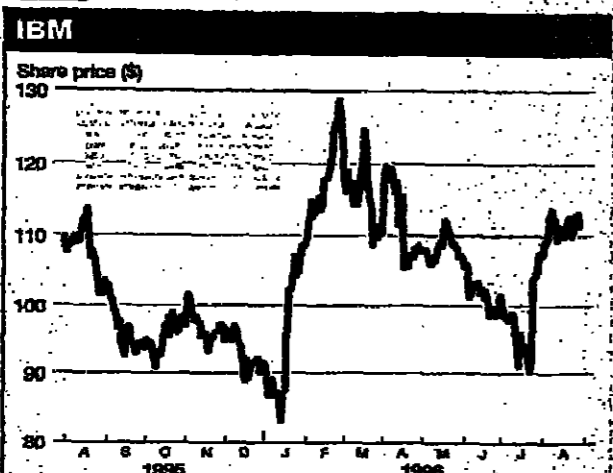
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STOCKWATCH



Sleeping giant fights back

The impact of the 'browser battle' is apparent in the relative performance of Microsoft and Netscape's share prices

In the past month, Microsoft and Netscape Communications have both launched new versions of their Internet Web browsers - software for accessing the vast information available on the World Wide Web. The launch of Microsoft's Internet Explorer 3.0 and Netscape Navigator 3 marks an escalation of the battle between the two companies to control the market for Internet and intranet software.

Microsoft, which has been playing "catch-up" with its Californian rival in the Web browser software stakes, was initially caught napping by the phenomenal growth of the Internet. However, since November when Microsoft chairman Bill Gates outlined his Internet strategy, the company has been focusing its huge resources on outmanoeuvring its rivals, including Netscape.

Although Netscape still dominates the browser market - particularly the corporate market - with its Navigator software, Microsoft's Internet Explorer 3.0, which is available to users without charge, closes the technology gap and should enable the group to boost its market share. Now Netscape's lawyers have accused Microsoft of employing anti-competitive practices in the battle to win market share - a charge Microsoft denies - and have asked the US Justice Department to take action.

The impact of the "browser battle" is also apparent in the relative performance of Microsoft and Netscape's share prices. As the chart developed by Broadview Associates, the mergers and acquisitions specialists, shows, over the year to August 8, Netscape's shares gained 62 per cent while Microsoft gained 30 per cent and the US-based Nasdaq Composite index gained 13 per cent.

However, as Broadview notes, Microsoft's shares were at a 13-month high at the end of the period, preserving the company's position as the world's most highly valued software group in a turbulent year. In contrast, Netscape's shares were 45 per cent below their peak.

December 7 last year when Mr Gates announced Microsoft's Internet strategy - in effect an admission that Microsoft had underestimated the impact of the Internet and the growth of the World Wide Web in particular. He said that Microsoft would henceforth put the Internet at the core of all the company's products and said Netscape had awakened "a sleeping giant."

The immediate effect on Netscape's shares was dramatic. The shares lost 18 per cent of their value in one day. However, Netscape's investors have put their faith in the group's growth prospects, leading them to scrutinise the group's quarterly results for signs of such growth.

As a result, the shares have become highly sensitive to the quarterly results cycle. Thus Netscape's announcement at the end of January of an 85 per cent increase in revenues sent the share price soaring back towards its December high and the April 23 announcement of results which also exceeded market forecasts resulted in another peak.

The lesson here is that the market pays most attention to the "hard" data such as financial results and prefers to focus on them rather than the "alliance" announcements when they become available," says Broadview.

The comparison between Netscape and Microsoft's share price performance over the past year highlights another fact. Microsoft tracks the Nasdaq index quite closely, not surprisingly given that it is the largest share traded on the Nasdaq. However, even before the general summer slump in Nasdaq shares which hit Netscape particularly hard, Microsoft had begun to outperform the index significantly.

The gap widened still further in July, and then again following Microsoft's announcement of record earnings and 46 per cent revenue growth last month.

The individual share charts show investors' differing perceptions towards those companies with big stakes in the mainframe market.

International Business Machine's steady underlying progress - notwithstanding a large second quarter loss - and the renewed growth of its mainframe business, is reflected in its share price performance, while investors remain somewhat more cautious about Amdahl, one of its main competitors in the mainframe market, and Tandem which competes aggressively in the financial services segment in particular.

Meanwhile shares in Unisys, the mainframe computer manufacturer which is undergoing a further restructuring, continue to suffer, reflecting disappointing second quarter results and the group's warning that delays in the introduction of new models could depress full-year results.

Thus, while Microsoft's shares drifted and stood at 94 per cent of its starting level on December 7, Netscape's shares benefited from "Internet fever."

But all this changed on

October last year after announcing its first profitable quarter, beating US analysts' expectations. Its market position was further enhanced in early December after it announced the establishment of a strategic alliance with Sun Microsystems and Silicon Graphics for the development of Java-script - an alliance viewed by most as a direct challenge to Microsoft.

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Wednesday September 4 1996

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Deutsche Bank helps out at Morgan Grenfell

Fertiliser groups in \$1.2bn deal

Canada's Potash Corporation of Saskatchewan is on course to become the world's biggest integrated fertiliser producer...

Randgold to pay \$53m for gold stake Randgold, the South African mining group that has been expanding aggressively under new management...

Renault bolsters top management Renault, the French carmaker, is moving to beef up its senior management with the appointment of Brazilian-born Mr Carlos Ghosn to its executive committee...

Crédit Foncier rescue plan scrutinised The French takeover panel is due to meet today to consider whether to approve the proposed state-backed rescue for Crédit Foncier...

Cisco pays \$220m for technology group Cisco Systems of the US, the leading manufacturer of Internet computer networking equipment...

Black denies Fairfax sale talk Mr Conrad Black, the Canadian media proprietor, who holds a 26 per cent interest in Australia's John Fairfax newspaper publishing group...

UK cement group advances 12% The first fruits of the restructuring of its heating division helped Blue Circle Industries, the UK cement and building products group...

Table of Companies in this issue with columns for company name and page number.

Market Statistics table with columns for market type and values.

Chief price changes yesterday table with columns for market type and price change.

Seoul raises foreign investment limits

South Korea is to raise the foreign ceiling on equity investments in an attempt to lift the sagging Seoul bourse, which has been weakened by the country's worst economic performance in three years...

Increase to 20% could bring \$2.5bn into South Korean markets to combat effects of weakening economy

Hyundai Electronics, a semiconductor manufacturer, had applied to be listed with a \$200m IPO in November, along with eight other companies...

Domestic opponents of OECD membership, including the two main opposition parties, have argued that financial liberalisation measures advocated by the organisation could aggravate Korea's trade deficit...

Stake in Tractebel may be for sale

Electrafina, the energy subsidiary of Belgian holding company Groupe Bruxelles Lambert, said it was considering selling its 20.3 per cent stake - worth more than \$1bn - in Tractebel...

LucasVarity to cull 30% of top staff

LucasVarity, the motor components manufacturer created by this summer's merger of Britain's Lucas Industries and Varty Corporation of the US, is planning to cull a third of its senior management...



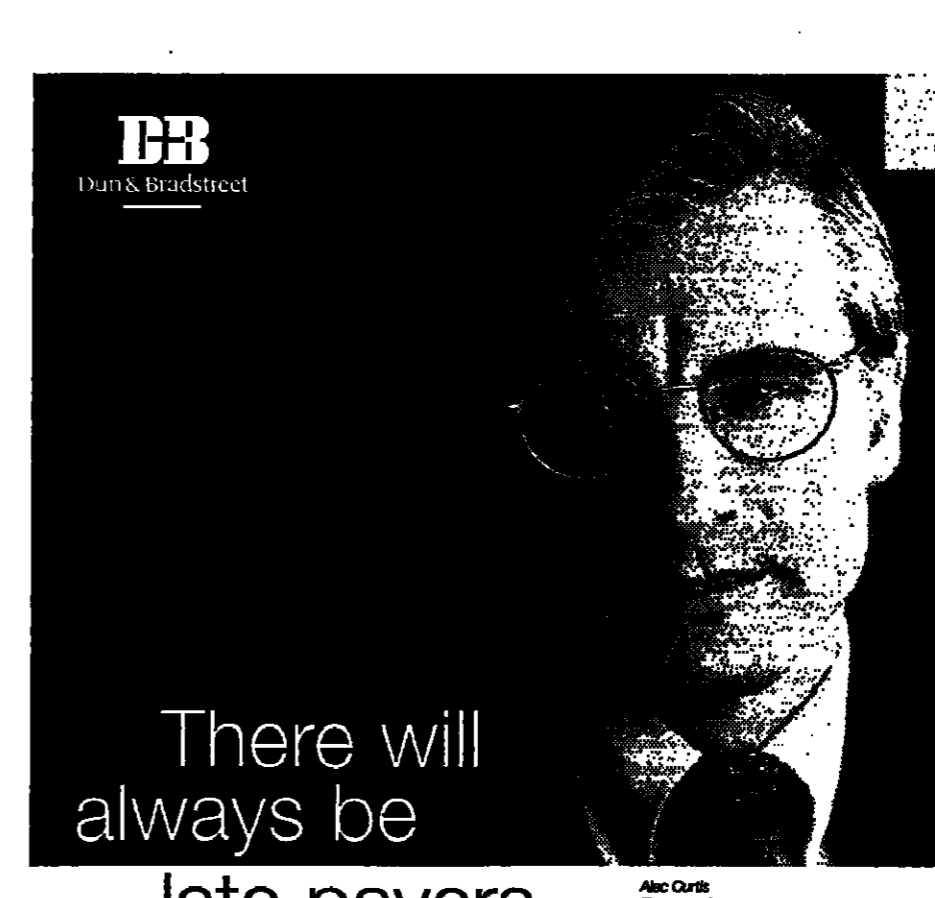
Victor Rice: 'we will only retain those who can perform'

Mr Victor Rice, chief executive of the new company, said: 'There are 150 people for 100 jobs. We will only retain those who can perform...'

Some industry analysts suggested the divestment exercise could raise about \$250m. But the company denied any target had been set for such proceeds...

Smurfit profits slide underlines paper downturn

Jefferson Smurfit underlined the extent of the downturn in the global paper market yesterday when the Irish group reported a big drop in first-half profits...



Alec Curtis, Treasury Manager, Markit Ltd

SGS, nearly two-thirds owned by France's Compagnie de Saint-Gobain, said it had received no approach from GBL, and was 'happy' with its Tractebel stake...

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COMPANIES AND FINANCE: EUROPE

NEWS DIGEST

New delay for Stena high-speed service

Stena Line, the Swedish ferry operator, said it had suffered a new delay to the timetable for introducing its new High-speed Sea Service (HSS). The company said financial problems at the WestarMarin shipyard in Norway, which is building Stena's two HSS500 craft, would mean a delivery delay of two months for the second vessel. Stena also said it had pumped SKr25m (£3.75m) of capital into WestarMarin on top of a SKr40m cash injection made in May.

The craft, which has yet to be assigned a route, will now enter service in June next year. A six-month delay in delivery of the first HSS900 vessel, announced earlier this year, was partly to blame for a widening of Stena's first-half pre-tax loss from SKr30m to SKr80m.

Greg McCor, Stockholm

Closedown at Bally France

Bally France, the shoe retailing chain owned by the Switzerland-based Oedikon-Büchle group, yesterday filed for bankruptcy and announced a restructuring plan to include closure of two of its factories in France.

The action, which follows several years of financial difficulties for the group and persistent rumours of its problems in the past few weeks, follows a series of collapses of well-known High Street names such as the specialist food chain Felix Pottin last year.

Bally, which employs about 1,200 staff, proposed to the Paris commercial court that it close or sell its factories in Moulins and Villeurbanne as well as 56 of its 100 outlets in France, while being granted protection from its creditors.

Accounts filed for 1995 show that the group reported a loss of FF71.5m (£15.5m) for the year, on top of losses of FF220m for 1994.

Separately yesterday, 250 employees of the shoe and textile industries demonstrated in the centre of Lyons in an effort to win support for safeguards for their jobs.

Andrew Jack, Paris

Trelleborg targets Horda

Trelleborg, the Swedish mining, metals and rubber group, said it had made a public offer for Swedish rubber producer Horda, worth SKr278m (£41.5m), and that shareholders controlling 89.7 per cent of the voting shares and 82.4 per cent of the capital in Horda would accept the bid.

Trelleborg said it was offering SKr6 cash for every A share in Horda, and SKr62.50 for every B share. Based on the average share price over the past three months, Trelleborg's offer represents a premium of about 21 per cent for the series B shares, while based on an average price during the latest month, the premium is about 17 per cent, it said.

Horda has annual sales of some SKr358m from four main business areas: vehicle components, building profiles, rubber composites and the cable industry. It has about 350 employees and five factories in Sweden. Sales before the acquisition at Trelleborg Industri, Trelleborg's rubber operations, totalled some SKr5.1bn and the unit has 5,100 employees.

AFX News, Stockholm

Telefónica de España upbeat

Telefónica de España, the Spanish telecoms group, yesterday said it expected to report net profits of Pta160bn (£1.47bn) in 1996, up from Pta135bn in 1995. Spanish newspapers reported, citing remarks by Mr Juan Villalonga, chairman, in the six months to June 30, that Telefónica posted a 25.5 per cent increase in net profits to Pta171.8bn. Speaking in Santander, Mr Villalonga said the company planned to invest Pta650bn in its mobile telephone activities up until 2000.

AFX News, Madrid

Poland critical of Matra bid

Mr Włodzimierz Cimoszewicz, prime minister of Poland, said Matra-Hachette's bid for a stake in Polish newspaper publisher Ruch was "weak", due to the low price offered.

Speaking to journalists, Mr Cimoszewicz said the bid, which was being studied by the Polish privatisation ministry, "presents a weakness which is the price offered well below a suitable level".

The prime minister said a rival bid from a Polish consortium including Bank Rozwoju Exportu BRE, the private national television company Polsat and newspaper group Multico, was "far better". Hachette is prepared to pay \$55m for a stake of more than 50 per cent in Ruch, while the Polish consortium would offer \$120m for a 40 per cent stake, according to official sources.

AFX News, Warsaw

Credit Foncier rescue plan scrutinised

By Andrew Jack in Paris

The French takeover panel is due to meet today to consider whether to approve the proposed state-backed rescue for Credit Foncier, the specialist property lender, amid growing controversy over the plan.

The Conseil des Bourses des Valeurs may report its conclusions as early as this evening. Under the offer, the state-backed Caisse des Dépôts et Consignations will offer FF70 a share for Credit Foncier, for which it will be reimbursed by the government.

The offer, which must also be scrutinised by the Commission des Opérations de Bourse, the markets watchdog, has raised anger from minority shareholders who claim that it undervalues Credit Foncier and that the bank proposed "excessive" provisions of FF13.65m for 1995 to drag it into losses of FF10.82m (£2.13bn).

Meanwhile, the Paris commercial court is expected to rule on Thursday on whether to grant investors their demand for an independent firm of accountants to examine the terms of the offer and explain whether the valuation is adequate.

The court is set to hold hearings on September 18 to determine whether the annual general meeting to approve the group's 1995 accounts at the end of June should be judged invalid.

The protests are being co-ordinated by Ms Colette Neville, head of the association for the defence of minority shareholders. Ms Neville led an alliance that forced postponement of a resolution at the AGM which would have all but wiped out the company's share capital.

She argues that the vote at the AGM which narrowly approved the group's accounts was invalid because a large number of votes held by CNP, the state-owned life insurance group, in Credit Foncier were registered after the deadline ahead of the meeting.

Ms Neville described the 1995 provisions announced by Credit Foncier as "science fiction", and said the group's first-half results for 1996 - showing a return to profits of FF402m - demonstrated that the FF70 a share offer was too low.

She also questioned yesterday the decision by the group's board to recommend that shareholders accept the takeover bid, arguing that they were not justified in threatening liquidation as the only alternative. She said that if the courts invalidated the AGM vote on the 1995 accounts, there was no such pressure.

Enlarged Elan looks for new horizons

It was described by one broker as "an option on Alzheimer's". With Elan's \$830m merger with Athena Neurosciences, the Ireland-based drug delivery company has acquired a significant presence in the neurology products market.

Six months on, the investment community will have its first chance to quiz Elan about its link-up with the small San Francisco based research operation when it holds its annual presentation with Wall Street analysts in a New York hotel later this month.

The consensus seems to be that the deal represents a shrewd move, creating "a highly innovative drug delivery and biopharmaceuticals company", according to UBS, the Swiss bank. Elan, now Ireland's fourth largest company, has traditionally focused on drug formulation, not discovery.

Founded by Mr Don Pagan in 1989 while a researcher at Dublin's Trinity College, Elan developed a range of drug delivery systems - a technology to increase the therapeutic value of existing compounds by making dosages more convenient, reducing the side effects and in turn raising the cost-effectiveness of any treatment.

At one level, the acquisition represents a defensive strategy to head off possible competition from new drug delivery start-ups, at the same time countering the trend among established companies to do more in-house reformulation.

But the change in direction had been well flagged as a way to increase control over the drug development process, and capture more of the sales price. "It's a way to claw back some of the distributor's margin," says Mr Donald Geaney, Elan chairman.

On a drug such as Cardizem, an anti-hypertension treatment marketed by Hoechst, Elan captures about 5 per cent of the market price. On other drugs it is up to 35 per cent - much

of which is either royalty or licence payments which incur no tax.

Mr Tom Lynch, Elan chief financial officer, projects that by 2000 the company could be taking up to 85 per cent of the sales price of any drug as it moves to market products directly.

There are risks involved. Although expected to seek co-marketing arrangements for its more successful drugs, the company will not be able to spread its development costs as it has done in the past under licensing deals.

Traditionally the company worked with established compounds with proven safety records, where the product failure rate was about 20 per cent. With the Athena merger, the company can expect as many as 80 per cent of pipeline drugs to fail in line with the experience of other drug companies.

But more than just an enlarged product pipeline, Elan inherits a specialist sales force which according to one recent industry survey ranks it alongside Abbott, Ciba, Glaxo-Wellcome and Parke-Davis. Elan will now take drugs from the development stage, through registration and approval to the market.

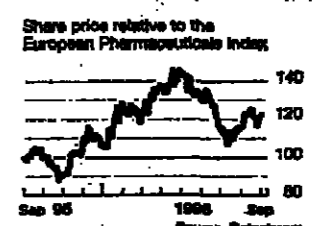
Perhaps just as vital, the deal beefs up Elan's management, with the merged group now led by Mr John Groom, a former president of Smith-Kline Beecham, and a board which includes Dr Dennis Selkoe, co-founder of Athena and Harvard professor of neurology.

Elan's current products include Cardizem, Naprelan, an anti-arthritis drug being marketed with American Home Products, and Verelan, an anti-hypertension treatment. By 2000, analysts expect the combined group to introduce some 15 new drugs and drug formulations.

Elan expects to seek approval for Neurelan, a multiple sclerosis drug, with the FDA by the end of 1997. The product has consider-

Elan delivers growth

Earnings per share \$	Price	Cashflow per share \$	Price/cash-flow
1995	2.30	20.5	3.16
1996	4.40	31.6	18.2



Products and pipeline pre-Athena

Therapeutic category	Indication	Class/mechanism of action	Brand name	Generic name	Sales (\$m)				
					94	95	96	97	98
Cardiovascular	Hypertension	Ca antagonist	Verelan	naproxen	n/a	n/a	80	250	185
			Verelan	naproxen	80	80	75	70	70
Immunology	Multiple Sclerosis	K Channel opener	Fampridine	4 amino pyridine	n/a	n/a	n/a	n/a	20
			Cardizem	Diltiazem	705	775	775	670	640

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COMPANIES AND FINANCE: THE AMERICAS

PCS to lead fertiliser sector with \$1.2bn takeover

By Bernard Simon in Toronto

Potash Corporation of Saskatchewan will become the world's biggest integrated fertiliser producer with a proposed US\$1.2bn deal to acquire Tennessee-based Arcadian Corp.

ewan's provincial government in 1989. It is currently in the process of buying a 51 per cent stake in Kali und Salz, a large German potash and salt producer controlled by BASF, the German chemicals group.

Arcadian is the biggest western hemisphere supplier of nitrogen-based fertilisers, complementing PCS's strength in potash and phosphates.

PCS shares, which are listed in New York and Toronto, have performed strongly, more than quadrupling in the past three years. But the shares lost C\$3.20 to C\$100.30 in early trading in Toronto yesterday.

Rising global demand drives consolidation

The combination of Potash Corp of Saskatchewan and Arcadian accelerates the consolidation of the global fertiliser business, writes Laurie Morse in Chicago.

Last November, Chicago-based IMC Global acquired another Chicago fertiliser maker, Vigoro, in a \$1.16bn transaction that consolidated IMC's potash and nitrogen capabilities and gave the combined company about 50 per cent of the North American potash market.

AT&T eyes Daimler mobile phone alliance

By Michael Lindemann in Bonn

AT&T, the largest US telecoms operator, is considering an alliance with Daimler-Benz, Germany's largest industrial conglomerate, in order to join what is likely to be a hotly contested bid for Germany's fourth digital mobile phone licence.

governments of Baden-Württemberg and Bavaria, Germany's two richest Länder, or states.

potentially interesting business but it remains unclear whether the initially high investments can be justified at a time when efforts are being made to re-focus Daimler-Benz as a transportation group.



Jürgen Schrepp: looking to expand Daimler activities

Brazil expected to back OTC stock market

By Jonathan Wheatley in São Paulo

Brazil's securities commission, the CVM, is expected this week to approve plans to launch the country's first organised over-the-counter stock market.

shares of any company that meets the CVM's requirements, with or without approval of the company.

Should AT&T join forces with Debitel, the consortium would provide a formidable challenge to the three-way telecoms alliance created by the two German utilities, RWE and Viag, and British Telecommunications, the UK operator - the only other grouping known to be desperate to gain a foothold in Germany's rapidly growing mobile phone market.

To complicate matters further the management board of Daimler-Benz is undecided about whether to back a bid for the licence. The board is likely to make a final decision in two weeks.

According to press reports, Stet, the Italian telecoms unit within Debitel, already has a strong position in the mobile phone market where it functions as a so-called service provider with over 870,000 clients across Europe.

A rival project, the Mercado Brasileiro de Balcão, is being prepared by the São Paulo Stock Exchange (BovEspa) and six smaller exchanges.

Brazil and Bolivia sign deal for gas pipeline

By Jonathan Wheatley

Presidents Fernando Henrique Cardoso of Brazil and Gonzalo Sánchez de Lozada of Bolivia will today sign contracts for the construction of a 3,000km natural gas pipeline between Bolivia and Brazil.

agreements reached between Petrobras, the Brazilian state oil company, and YPF, its Bolivian counterpart last month.

formed by British Gas, Teneco of the US and BHP Petroleum of Australia, and Enron of the US owns 85 per cent of the project.

remainder will be provided by equity from the projects partners. YPF will repay Petrobras over a period of 12 years.

On the Bolivian side, a joint venture between YPF and Enron of the US owns 85 per cent of the project.

Mr Marcelo Salgado, director of market development at the Rio de Janeiro Stock Exchange (BVRJ), said the SOMA could rival Brazil's traditional bourses by the beginning of the next decade.

Mr Alberto Alves Sobrinho of Fair Corretora, a São Paulo brokerage, welcomed the arrival of the new market but said their future depended on factors beyond their control.

The signing will ratify



Exploratory meeting of bondholders

For the purpose of the alliance with Crédit Communal de Belgique, Crédit local de France will transfer to its subsidiary Local Finance all of its assets and liabilities, including all bonds issued by Crédit local de France.

The transferee of this asset transfer, will have the same assets and liabilities which CLF currently has, and at the date of the transfer will take the trade name of 'Crédit local de France', the existing Crédit local de France becoming 'CLF Holdings'.

Holders of the bonds listed below, issued by Crédit local de France,

- NLG 350,000,000 6 1/2% May 1994 - May 2004 (Isincode NL 0000134070)
NLG 500,000,000 5 7/8% February 1996 - February 2003 (Isincode NL 0000120756)
Lead manager ABN AMRO Hoare Govett

are invited to attend the exploratory meeting to be held on September, 26 1996 at the Office of Rabobank International, Croeselaan 18, Utrecht (The Netherlands) at 10.00 am. The agenda of the meeting will be, in accordance with article 308 of the French law dated July 24 1966, as follows:

- Board of Director's report on Crédit local de France's project to transfer all of its assets and liabilities to its subsidiary Local Finance.
- Approval of the transaction
- Powers

Holders of bearer bonds must obtain a certificate attesting that their securities are held in a blocked account from the bank, stock or institution managing their account. Against delivery of this form at least 5 days before the date of the Exploratory Meeting bond holders can receive an admission ticket with ABN AMRO Bank N.V. and ING Bank N.V. in Amsterdam and Rabobank Nederland in Utrecht. Proxy forms will be sent to bondholders upon request from the financial agent in charge of each bond issue.

September 3, 1996
The Board of Directors

Table with columns: Bond Issue, Par Value, Bid Price, Offer Price, Yield, etc. Includes data for various bond issues.

Prices are determined for every half-hour in increments of 0.01 per cent. Prices are in US dollars and are subject to change without notice.

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Class B Floating Rate Bonds

ABBEY NATIONAL TREASURY SERVICES PLC
FRF 1,000,000,000
TEC 10 Indexed Floating Rate Notes due 2006

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In accordance with the provisions of the Notes, notice is hereby given that the rate of interest for the period from August 29th 1996 to November 29th 1996, has been fixed at 5.75 per cent per annum.



COMPANIES AND FINANCE: ASIA-PACIFIC

Black attacks Canberra over Fairfax

By Nikki Tait in Sydney

Mr Conrad Black, the Canadian media proprietor who holds a 25 per cent interest in Australia's John Fairfax publishing group, yesterday attempted to scotch rumours that he was looking to sell the stake - however, he lashed out at the Australian federal government, saying he was "exasperated" by the lack of progress on the country's media ownership policy.

There was no financial pressure on his corporate interests to cash in the Fairfax interest, and "disposable cash flows are rising sharply, making us more able than ever to increase our shareholding if we are permitted to do so". The stake is worth about A\$500m (US\$335m).

Mr Kerry Packer, the Australian businessman, and Mr Rupert Murdoch, the international media proprietor, are also on Fairfax's share register - with the former admitting he would like outright ownership.

Mr Black summarised his view of the situation as a "complete impasse, with no indications of a change in government policy and no disposition by us to sell".

"Wildly inaccurate public musing by the minister of communications regarding the sale of our shareholding or the break-up of the Fairfax Group is no more helpful than was the erratic conduct of some of his predecessors."

Hong Kong markets seek to strengthen regulator

By John Fiddling in Hong Kong

Hong Kong's markets watchdog will seek extra funding to increase its auditing staff, after disclosure of alleged misconduct at Jardine Fleming, the territory's biggest fund manager.

Mr Anthony Neoh, chairman of the Securities and Futures Commission, said the regulator planned to expand manpower in its 30-member supervisory division.

But he said the problems at Jardine Fleming Investment Management had increased the importance of the matter.

Speaking before a session of Hong Kong's legislative council, convened to discuss the affair, the SFC chief said he would also consider pushing for legislation against "rat trading", where brokers pocket the margin between the price of trades conducted for clients and the price level they declare.

The aim would be to strengthen the SFC's armoury in the absence of a broader bill, long under discussion.

Describing the Jardine Fleming incident as a "one-off", the SFC said more than 30 fund managers at the firm had been scrutinised during the investigation but no other alleged misconduct had been found.

Jardine Fleming had not admitted liability and had taken steps to tighten its compliance and management systems, the regulator added.

The SFC, also pushing for the power to impose fines, said the affair showed its determination to enforce compliance standards and ensure transparent markets.

"This is one of the biggest amounts ever disgorged, not just in Hong Kong but in the US and Europe as well," Mr Gerard McMahon, head of enforcement at the SFC, said, referring to compensation payments of US\$19.3m by Jardine Fleming.

Mr McMahon said the case had been examined to assess whether criminal acts had occurred, but the transactions which had been reviewed did not constitute a criminal offence.

Jardine Fleming has suffered a blow to its reputation because of the affair. But a government official said the administration would not bar the firm from participating in the territory's planned compulsory pension scheme because of this isolated incident.

NEWS DIGEST

Qantas close to deal with unions

Qantas, the privatised Australian carrier, said yesterday that it was close to finalising a new labour contract with its unions. These would give employees four wage increases of 2 per cent for the next two years, it said.

Qantas has stressed that it does not intend to chase market share at the expense of margins, and warned that this would mean continued pressure for cost reductions to compensate for lower revenue growth. The labour negotiations, which have been under way for some weeks, have been closely watched by analysts.

The airline, in which British Airways holds a 25 per cent stake, said it hoped to finalise an agreement with the unions next week, so it can be put to members for ratification in the following weeks.

Dominion plans options issue

Dominion Mining, the Australian mining group which last year sold off the bulk of its gold assets, yesterday announced plans for a non-renounceable issue of options to existing shareholders, on a one-for-two basis. Each option will allow its holder to subscribe for one new Dominion share at 70 cents up until December 1998.

Dominion said that the issue was designed to provide funds to facilitate its future development of the Yakabindie nickel project in Western Australia and the Gawler gold project in South Australia. It added that discussions with potential, but unspecified, partners over Yakabindie's development were "progressing".

The larger Melbourne-based North group was originally lined up as partner on the A\$470m Yakabindie project, but balked at the terms of the planned deal.

Dominion also announced a A\$39.6m (US\$29.1m) profit after tax for the year to end-June, largely reflecting the abnormal gain on asset sales of A\$38.2m. Dominion shares closed steady at 70 cents.

Highlands Gold in the red

Highlands Gold, the Papua New Guinea-based mining group which was formerly controlled by Australia's MIM, has made a loss of K11m (US\$8.3m) in the year to end-June, compared with a small K7.7m profit in the previous year. The group's main producing asset is a 25 per cent stake in the large Forgera goldmine.

The group also announced a change in accounting policies, reducing the written-down value of the Forgera fixed assets by K60.6m. This led to a reduced depreciation charge - some K8m lower at K28.3m.

Nippon to issue Y51bn stocks

Nippon Credit Bank said yesterday it would issue preferred stocks worth Y51bn (A\$67m) on September 30 for third-party allotment to enhance its management standing.

The bank will allocate the stocks to an investment co-operative of related companies and others to limit the effects on the stock market, bank officials said.

With the stock issuance, the bank expects to raise its capital adequacy ratio by 0.43 percentage point from the 8.38 per cent recorded in March 1996, the officials said.

The growth in the ratio is expected to double if the bank counts preferred securities issued by an overseas subsidiary as supplementary capital, although it has yet to decide on the matter, they said.

The bank planned that Y50bn worth of securities would be treated as "tier 1 capital," set by the Bank for International Settlements (BIS) standards as a numerator for calculating capital adequacy.

The finance ministry, however, suggested that the securities might be "tier 2", or supplementary capital, meaning they would be only partially counted as "tier 1 capital."

Air NZ opened to 49% foreign control

By Terry Hall in Wellington

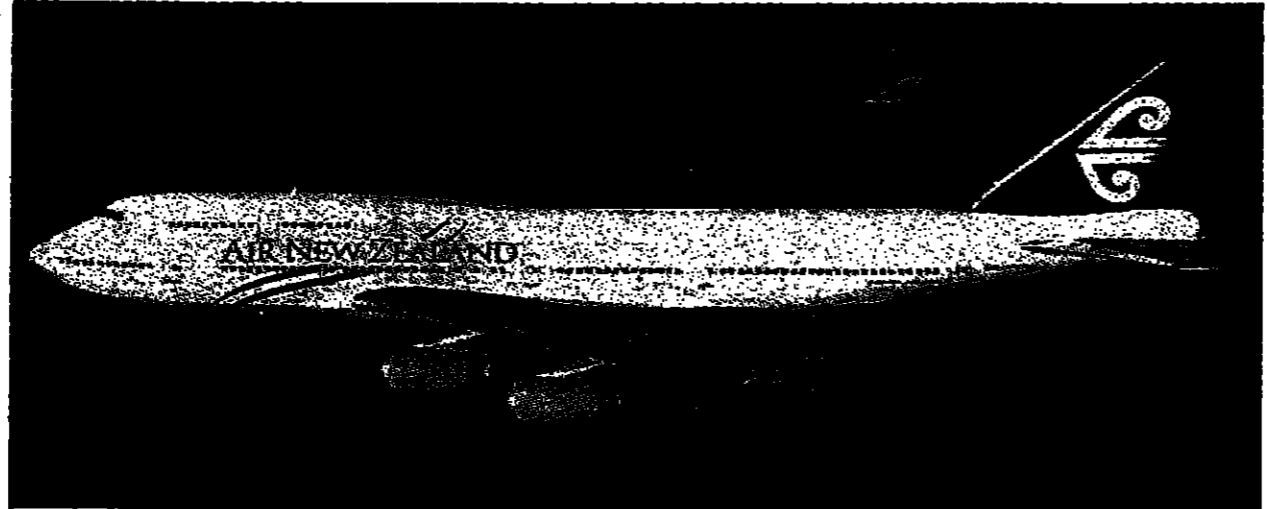
Foreign shareholders may own up to 49 per cent of Air New Zealand, the government announced last night. The move is seen as a further step in establishing the so-called "open skies" policies between Australia and New Zealand which are being encouraged by both governments.

The Australian government allowed 49 per cent foreign ownership when Qantas was privatised.

The move follows Monday's announcement that Air New Zealand had entered into an agreement with TNT of Australia to buy 50 per cent of Ansett Holdings of Australia for a total outlay of A\$475m (US\$376m).

The move will double the size of Air New Zealand, but is conditional on the outcome of an Australian Foreign Investment Review due to be announced on September 26. An extraordinary meeting of Air New Zealand shareholders is being called a day later to approve the deal.

The government said in a statement that lifting Air New Zealand's shareholding limit from 35 to 49 per cent was a move towards harmonising the single aviation



On a path to open skies: the move by the New Zealand government follows Air NZ's deal with TNT to buy half of Ansett

market between the countries. However, restrictions had been put in place preventing any airline owning more than 25 per cent, or any group of airlines owning more than 35 per cent, of Air New Zealand. At present Qantas, whose largest aviation shareholder is British Airways, owns 20 per cent of Air New Zealand. Brierley Investments, with 42.5 per cent, is the airline's major shareholder.

Air New Zealand said yesterday that the Ansett purchase would be "relatively profit-neutral" in the short term, as revenue benefits and cost efficiencies were offset by increased net interest costs.

The move saw an immediate drop in the value of Air New Zealand's "B" shares by around 45 cents to NZ\$9.30.

Air NZ fleet

Table with columns: No. of Units, Type of Aircraft, and Remarks. Includes Boeing 747-300, Boeing 737-300, and Boeing 737-500.

Write-down forces ANI into A\$213m loss

By Nikki Tait

Australian National Industries, the heavy engineering group, yesterday announced that it was writing down the value of its troubled German environmental engineering subsidiary Hölter by A\$234m, driving the group as a whole to a A\$213m (US\$169m) loss in the year to end-June.

Even before the write-downs, operating profits were below those of the previous year. Earnings before interest costs dipped from

A\$140m to A\$84.9m despite a 6 per cent gain in sales to A\$1.97bn.

The group's main operations, which include the Aurora steel products unit in the UK, saw profits fall by 19.1 per cent to A\$105.3m, while the Coates Hire equipment hire business, which was floated on the stockmarket last month, edged ahead from A\$14.4m to A\$15.1m.

ANI, which first acquired an interest in Hölter in 1991, said management changes had been implemented at the German business and it was hopeful that long-standing contracts in Madrid and Berlin could be completed in 1996/7.

Mr Peter Stancliffe, ANI managing director, added that he hoped to be able to say by the end of the month whether a deal with Saarbergwerke was possible. He stressed that the solution might mean "joint-venturing" some of Hölter's business with Saarbergwerke, keeping other parts, and disposing of the remainder.

Next interest charges rose from A\$34.4m to A\$41.9m, while abnormal losses after tax totalled A\$198.6m.

Hölter saw losses increase significantly in the year, from A\$4.5m the previous year to A\$65.5m.

ANI blamed the result at Hölter on cost overruns, technical difficulties and delays in commissioning waste-to-energy plants. It said it expected to make losses totalling A\$10m on waste-to-energy contracts at Glen and Mulhouse in France, and had accounted for these in the 1995/6 results.

The company also released the details of its business strategy review, which recommended refocusing on ANI's traditional metals and engineering businesses, with other assets to be either "revitalised" or sold.

USD 10,000,000.00 EURO MEDIUM TERM NOTE PROCLAMATION OF SOCIETE GENERALE SCA SOCIETE GENERALE ACCEPTANCE N.V. AND SOCIETE GENERALE AUSTRALIA LIMITED

CITICORP MORTGAGE SECURITIES, INC. U.S. \$57,057,000 (Initial Scaled Amount of Class A-1 Certificates)

CONTRACTS & TENDERS

NOTICE OF AUCTION Bankruptcy no. 54971 Srl "IMAC", Bankruptcy Court of Rome. At 11.45 am on 30.10.96, the Official Receiver Dott. Moselli is to sell by auction, in a single lot with base price Lit. 21,000,000,000, leading Italian company, still in business, producer of polinglass roofing panels and accessories

This announcement appears as a matter of record only. ČEZ, a. s. The Czech Republic CZK 3,000,000,000 10.90% BONDS DUE 2001

This announcement appears as a matter of record only. ČEZ, a. s. The Czech Republic CZK 3,000,000,000 COMMERCIAL PAPER PROGRAMME

MORGAN GRENFELL'S TROUBLED FUNDS

The UK unit trust market suffered a serious upset on Monday, with the suspension of three investment funds containing £1.4bn and managed by Morgan Grenfell Asset Management. The biggest, its European Growth

Fund, was managed by Peter Young, an intense 38-year-old who has gained plaudits for risk-taking. However, Young's purchase of a high proportion of unlisted and little-known Scandinavian stocks for his portfolio is

being investigated by MGAM and City regulators. FT reporters investigate how this could have happened in what is regarded as one of the safest and most reliable ways for ordinary people to invest.

■ HOW COULD IT HAPPEN? - By John Gapper and Roger Taylor

Upset casts doubt on controls

The suspension of three Morgan Grenfell investment funds is a rare event in financial markets, for it involves an upset in what is reputed to be one of the safest and best-regulated forms of financial investment. Unit trusts have been known both for their predictability compared with direct investments in single securities, and for being overseen well. The suspension of the MGAM funds casts doubt on whether they are as safe as they seem. The investigation launched by the Investment Management and Regulatory Organisation (Imro) is focusing on an arcane area for most unit trusts. It involves their usually small holdings in unlisted and unquoted securities.

preventing unit trusts abusing the freedom to buy unquoted securities: fund managers are overseen by trustees and there are strict limits on the ratio of such securities that can be held. However there are relatively lax rules on such securities as valued. There is no requirement for them to be independently valued, and City regulators only require a manager's "reasonable estimate" of the value. The European Growth Trust - the largest of the two unit trusts involved - held a high proportion of unlisted shares. The rules of City regulators should ensure that these shares were bought and valued appropriately by Mr Peter Young, the manager who has been suspended.

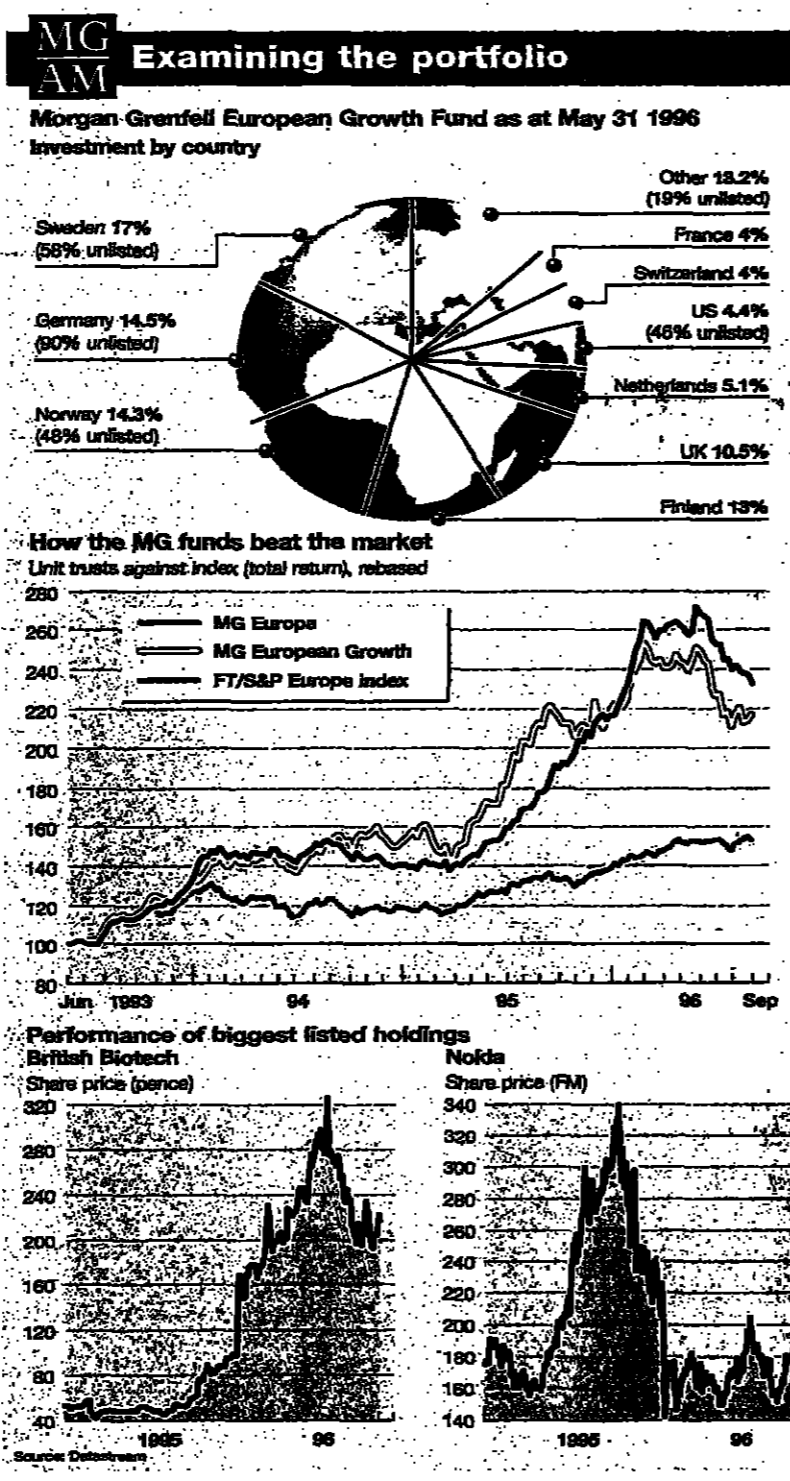
The trustees of the European Growth Fund until earlier this year was General Accident. This duty then passed to Royal Bank of Scotland, which has been responsible for ensuring that the shares are safe and the trust is well managed. These external controls on Mr Young were supplemented by an internal control procedure that was supposed to ensure that he did not make wild investments. He had to submit his portfolio to scrutiny by his "peer group" on a regular basis. Mr Young worked in the international division of MGAM. Its chief investment officer is Mr Glyn Owen, and it includes 18 other managers, including Mr Stuart Armer, manager of the two other suspended funds. In practice, none of the controls stopped Mr Young from building up his portfolio. He also managed to stay inside the letter of City regulations governing the concentration of shares held within unit trust portfolios. These say that no more than 10 per cent of a portfolio can be held in "unapproved securities".

Regulators' rules for managing unit trusts
■ No more than 10% of portfolio may be in "unapproved securities" such as unlisted shares
■ No more than 5% of a portfolio must be held in a single share
■ Unlisted securities to be valued at "manager's reasonable estimate" of how much they are worth
■ Managers should "maintain a record of the source and basis for the value placed on the investment"
■ Managers must "take all reasonable steps and exercise due diligence to avoid the possibility of the scheme being inaccurately priced"
■ Trustees have a fiduciary duty to oversee fund managers, and ensure that they comply with rules
Securities and Investments Board regulations for collective investment schemes 1991; Investment Regulatory Organisation guidance

■ FUND MAKE-UP - By Roger Taylor

Portfolio surprises European managers

European fund managers yesterday said they were surprised at the portfolio of investments held in the Morgan Grenfell European Growth Trust. Professional investors wondered how Mr Peter Young, manager of the fund, had been able to build up large holdings in little-known and often second-rate companies without anyone at Morgan Grenfell questioning his activities. An examination of the investments held in the fund (see chart, right) reveals Mr Young taking some large investment bets. The European Growth fund is the largest of the three Morgan Grenfell European funds in which dealing was suspended yesterday. The other two - the Europa fund and the European Capital Growth fund - had a number of holdings in common with the larger fund. One experienced fund manager said: "People are now looking in detail at the portfolio and are surprised at the low quality. We know the European markets pretty well but we do not recognise a lot of these stocks. These names are very strange to see as large holdings in this fund." In the event of large numbers of investors deciding to cash in their investments, Morgan Grenfell could find it impossible to sell any poor-quality holdings. However Deutsche Bank has agreed to buy in these holdings to shield investors. Rivals expressed surprise that Morgan Grenfell could have allowed Mr Young to build up large holdings in relatively unknown and unquoted stocks. The fund contrasts strongly with the more conservatively managed portfolios of many of Morgan Grenfell's other European Equity funds. The fund has high levels of investment in Scandinavia. In itself, this is not unusual. Spectacular returns from many of these markets had encouraged fund managers to go heavily overweight in them. More exceptional is the high level of unlisted holdings. Valuing unlisted securities accurately is difficult, and allows greater scope for manipulation. One fund manager said: "There are one or two



Examining the portfolio. Biggest holdings. Top ten listed equities. Top ten unlisted equities. Includes tables listing top holdings with percentages and share prices for various companies like British Biotech, Astra, and various unlisted stocks.

■ OUTLOOK FOR INVESTORS - By George Graham

Advisers urge clients to stay calm

Financial advisers around the UK yesterday faced a barrage of questions from anxious investors about the fate of their holdings in the suspended Morgan Grenfell unit trusts. "Our phones have been going all day," said Ms Janice Thompson, of Chelsea Financial Services in London. "Unfortunately, all we can tell them is that at the moment they can't do anything." The suspension of dealings has cast doubt on transactions that were in the pipeline. Although advisers can return money to their investors if it has not yet been sent to Morgan Grenfell, there is little they can do about slow-moving transactions such as transfers between personal equity plans. Although Morgan Grenfell has promised to make up any shortfall to investors, both they and their advisers remain uncertain about the precise details of what this compensation will entail. Independent financial advisers have been responsible for steering

Mr Pascal Matic, partner in the Unitas investment firm, added that the ultimate backing of Deutsche Bank, Morgan Grenfell's parent, was a source of comfort. "Obviously they are owned by Deutsche Bank, and I can't see Deutsche Bank letting anybody go short," he said. In fact, confidence in the Morgan Grenfell investment team remains generally strong. Advisers say one of the selling points of the MG funds was that they were backed by a team of managers rather than by a single star performer. "The reason we liked them is basically that they had excellent long-term performance over one, three, five or 10 years," said Ms Thompson of Chelsea Financial. In the last year, private clients have increasingly sought to diversify their investments away from the UK, and Europe has been one of the most popular destinations. Morgan Grenfell promoted the European Growth fund as a Pep investment, and the fund was also

asked Morgan Grenfell for an explanation of the funds' poor performance in recent months, and were told that the funds had been going through a "restocking" exercise, overhauling their portfolios. A few advisers have also complained about shortcomings in the Morgan Grenfell back office. "We have been concerned about their administration, particularly on the Pep side," said Mr Matic of Unitas. A deeper anxiety among IFAs, however, is that the episode, coming hot on the heels of official sanctions against the Jardino Fleming investment management group in Hong Kong, could tarnish the unit trust sector's reputation. "I think the worry is that investors are going to lose confidence not just in Morgan Grenfell but in unit trust managers generally," said Mr Clive Scott-Hopkins of investment brokers Towry Law. "Coming hard on the heels of Flemings, it's not good news. Two top names - one wonders who is



■ PETER YOUNG - By Nicholas Denton

An unlikely source of trouble

Mr Peter Young, the fund manager suspended by Morgan Grenfell Asset Management, is in unlikely company. Like Mr Nick Leeson of Barings and Mr Colin Armstrong of Flemings, he has embarrassed a traditional City institution. But unlike them - seen by their colleagues as brash characters intoxicated by professional stardom - Mr Young is a modest and softly spoken actuary. Work acquaintances have almost no criticism of him. "He was a quiet guy. To be honest, none of us knew him very well," said a Morgan Grenfell fund manager. And few believe him capable of any sort of dishonesty. "I would be absolutely gobsmacked if he had done anything wrong," said a former colleague. Mr Young, 38, graduated from Oxford University with a degree in mathematics. After training as an actuary, he joined Equity & Law, the life assurance company, as a bond analyst. His career progressed rapidly; he became a portfolio manager specialising in the continental European equities which were to be his claim to fame and which led to his suspension. In 1990 Mr Young joined Mercury Asset Management, before switching to Morgan Grenfell in 1992. Former colleagues remember him as a highly professional fund manager. He left because Morgan Grenfell made him a better offer. As a senior European manager at Morgan Grenfell, Mr Young worked under Mr John Armitage on the management of MG European Growth. Relations between the two men were smooth, colleagues say. Mr

Wimp... 28,000 int... and... acqu...

COMPANIES AND FINANCE: UK

Wimpey tumbles £8.6m into the red

By Geoff Dyer

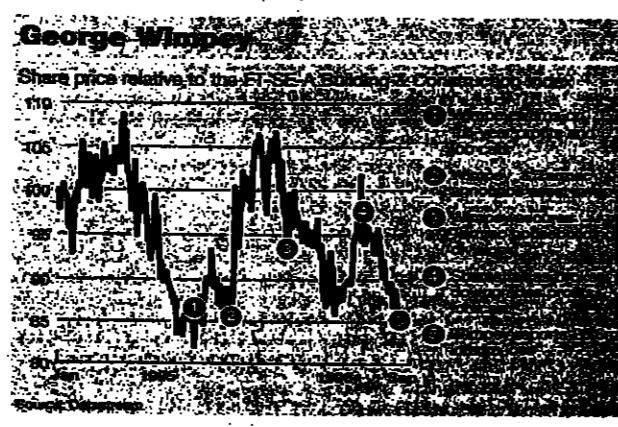
The difficulty of George Wimpey's task, following the March swap of its construction and minerals businesses for Tarmac's house-building division, was emphasised yesterday when the UK's largest house-builder announced first-half pre-tax losses of £8.6m (£13.4m).

However, Wimpey expressed confidence in the new strategy and said this year's operating profits would be the highest of the decade.

But the upbeat comments failed to allay concerns in the City that the group's balance sheet is too stretched to finance its land-buying plans. The shares fell 5p to 129 1/2p.

The results reflected £8.4m of losses (against £2.3m of profits) from the businesses transferred to Tarmac, while McLean Homes, contributed £10.6m to profits. Operating profits were £2.8m (£5.5m) and turnover from continuing business was flat at £259.7m (£258.6m).

The shortfall included reduced profits from the rest of the group's operations to £500,000 (£6.2m), with competition leading to a sharp drop in profits from Wimpey



Homes. Higher borrowings caused the interest charge to jump to £11.4m (£7.5m) and the gearing ratio to rise from 38 per cent to 57 per cent. Mr Joe Dwyer, chairman, said the group had identified £148m of asset sales to finance its planned acquisitions of land.

Analysts expressed doubts about Wimpey's ability to finance the land purchases. "The strategy is flawed as the balance sheet is so precarious. They are using non-repeatable asset sales to fund the replacement of the landbank," said one analyst.

The group intends to maintain the Wimpey Homes portfolio at the same level and plans to double the spending on land at McLean Homes in the second half of the year.

Mr Dwyer said Wimpey Homes had been affected by heavy discounting and incentives, but that margins were improving in the UK and that sales levels were similar to 1995. Margins at McLean would rise by ending its policy discounting at the year-end.

There were signs of improvement in the second hand housing market in London and the south-east of England, however the market for new homes was less robust. "Price inflation is strong in parts, but feeble in general," said Mr Dwyer.

P&O criticised for sale of unit

By Ross Tremen

Peninsular & Oriental Steam Navigation yesterday sold the first company in its £1bn (£1.56bn) divestment programme - and was immediately criticised by the head of the former subsidiary for selling the wrong business.

Mr Howard Stapleton, managing director of P&O Oilfield Services, said that the company's outstanding profitability made it "probably one of the businesses they should not have sold".

But City and media critics of P&O's board, chaired by Lord Sterling, had put the transport, property and construction group under pressure to deliver a radical restructuring, he said. "P&O didn't really want to sell this business."

P&O Oilfield Services hires drilling and pipework handling equipment to North Sea rig operators. In 1995 it made pre-tax profits of \$2m on sales of \$12.7m and enjoyed a return on capital in excess of 30 per cent.

The business, to be renamed Premier Oilfield Services, is being bought for £37.5m by Royal Bank Development Capital. Its existing management will be retained and will participate in the purchase. P&O, a co-founder of Oilfield Services, has realised a £24.5m profit over book value.

The divestment programme, announced in March, is partly designed to fund heavy investment programmes in its core cruise shipping, ferries and container business. Property and investment sales of almost £250m have already been achieved.

Heating upturn at Blue Circle

By Simon London

The first fruits of restructuring helped Blue Circle Industries, the cement and building products group, to a 12 per cent increase in interim pre-tax profits.

The results came against a background of difficult trading conditions in the UK. Mr Keith Orrell-Jones, chief executive, accompanied the results with the outline of a £500m (£780m) capital investment plan over the next five years. In addition to a previously announced cement works in Kent, the group planned to expand cement capacity in the US and Chile. He added that it was looking at possible acquisitions in Asia, South America and the US to use its balance sheet strength.

Net debt reduced from £36.4m to £18.5m, leaving



Lord Tegendhat (left), chairman, and Keith Orrell-Jones

gearing of 1.5 per cent. On turnover 4 per cent higher at £574.4m, it made pre-tax profits of £116.5m (£104.1m) including £1.9m profits from property development (£200,000 loss). Profits from heating improved from £100,000 to £9m, mainly due to a better performance in the UK. However, profits in France also advanced and losses in Germany were cut from £5.2m to £4.5m.

Company	Turnover (£m)	Pre-tax profit (£m)	EPS (p)	Current payment (p)	Date of payment	Dividends	Total for year	Total last year
Abbot Group	45.2	3.47	2.04	0.64	Nov 6	0.56	-	1.59
Anglo Eastern	5.9	3.5	5.1	-	-	-	-	3.4
Argent	8.6	2.06	2.6	-	-	-	-	12.5
Blue Circle	874.4	116.5	8.9	4.25	Nov 25	4	-	3.2
Cable	91.9	4.2	6.7	2.2	Oct 25	2.1	3.4	1.42
China Comms	15.5	1.4	1.8	0.55	Nov 19	0.46	-	9.35
Creda Int	229.6	22.5	11.5	3.45	Dec 2	3.25	-	5
Drama Motors	124.5	35.5	10.11	2	Oct 11	1.675	-	3.15
Energy (Landed)	85.2	4.51	1.6	1.5	Jan 6	1	-	5.25
Fulcrum	10.8	2.19	5.71	1.8	Nov 1	-	-	11.5
Island Group	861.3	29.8	7.08	1.8	Nov 18	1.65	-	2.1
IM	690	138.9	31.1	5	Oct 14	4.6	-	2.2
Law Printing	17.3	1.79	1.8	1.9	Nov 29	1.4	2.8	3.3
Macro 4	25.3	12.1	37.5	15	Nov 4	13.4	24.3	5.75
Metaco	30.1	1.55	6.49	1.2	Dec 3	1.1	-	14.33
Nottingham Group	27.9	3.56	4.58	1.84	Oct 18	1.84	-	3.4
Ocean Group	590	656.6	12.1	5	Nov 1	4.71	-	8.25
Peak	71.5	84.8	3.44	1.8	Jan 3	1.05	-	3.3
Pentland Group	412.3	331.5	11.5	1.81	Nov 1	1.35	-	8.25
Roper	13.4	1.99	4.8	3.5	Oct 9	3.5	-	5.5
Tromsø	4.91	1.19	0.16	-	-	-	-	6.5
Wimpey (Average)	588.5	737.7	8.19	2	Oct 31	2	-	14
Wood (Arthur)	2.45	1.99	7.57	2	Oct 25	-	-	-
York-Tyne Tees	136.1	123.7	17.21	6.8	-	3.7	-	-

Company	Turnover (£m)	Pre-tax profit (£m)	EPS (p)	Current payment (p)	Date of payment	Dividends	Total for year	Total last year
Salford Income	40.4	48.1	0.117	0.558	0.78	3.72	1	4
Falmer	-	-	-	-	-	-	1.4	10.25
Johnson Fry Utile	93.27	97.59	2.58	2.39	8.49	7.84	2.5	7.86
Shires Income	-	-	-	-	-	-	4.1	16.8
TR European	284.2	193.1	1.79	1.08	2.97	1.75	1.8	1.7

Royal Sun to sell SA stake

By Ralph Atkins

Royal Sun Alliance is seeking buyers for its 80 per cent stake in Protea Assurance, the South African insurer, in the latest shake-out following the creation of the UK-based composite insurance group earlier this year.

The stake in Protea, which was part of the Sun Alliance insurance group, has a market value of about £125m. Sun Alliance merged in July with Royal Insurance, which had a 48 per cent interest in another South African insurer, Mutual & Federal.

Royal Sun decided to sell the Protea stake because the company was seen as a direct rival to Mutual & Federal. According to a statement from Protea, Royal Sun has "invited selected organisations to make firm offers for the group by September 30".

News of the planned disposal comes as Royal Sun prepares to disclose tomorrow combined profit figures for the six months to June 30. Forecasts range from £240m to £430m.

IMI at £138m and seeks acquisitions

By Richard Wolfe

IMI, the international engineering group, said yesterday it was searching for acquisitions after reporting more than doubled pre-tax profits in the six months to June 30.

Mr Gary Allen, chief executive, said the company was "in an acquisitive frame of mind" and was "particularly looking to expand its fluid power and valves interests in North America and continental Europe."

IMI's acquisition strategy has been lifted by the sale of its titanium interests in April, which contributed £70m to interim pre-tax profits and left the company almost ungeared.

Pre-tax profits rose from £49m to £138m (£215m) on sales up from £569m to £690m.

The results were also lifted by the £134m purchase of Helmeier, Germany's largest producer of radiator valves, which added £8.1m to operating profits.

IMI said there was little sign of an early recovery in continental demand for its building products, but it had invested more than £2m in expanding Helmeier's sales operations in new markets and extending its range.

Elsewhere in the building products division, the company said UK demand for copper tube and fittings was "slightly ahead" of last year. However, sales from continuing operations remained flat at £205m, while operating profit declined from £16.9m to £15.6m. Lower copper prices led to a £600,000 loss in the value of unsold copper stocks.

In contrast, IMI's drinks dispensing division reported a 3 per cent rise in profits to £19.5m on sales of £164m (£159m) as demand in the US and south-east Asia picked up. In fluid power, profits grew by 8 per cent to £16.3m as the division lifted market share in the UK and increased sales in Australia. In special engineering, profits rose 12 per cent to £5.5m.

IMI INTERIM RESULTS

HALF YEAR ENDED 30 JUNE

	1996	1995	CHANGE
Sales	£690m	£669m	up 3%
Profit before exceptional items	£67.2m	£49.0m	up 37%
Profit from exceptional items	£70.8m	-	-
Profit before tax	£138.0m	£49.0m	up 182%
Adjusted earnings per share	12.3p	9.5p	up 29%
Earnings per share	31.1p	9.5p	up 227%
Dividend per share	5.0p	4.6p	up 9%
Gearing	9%	24%	-
Interest cover before exceptional items	16	12	-

"We achieved record results in the first half and the success of the strategic changes which have been made will underpin the Group's progress this year and in the future"

Sir Eric Pountain, Chairman

Building Products

Drinks Dispense

Fluid Power

Special Engineering

IMI plc, PO Box 216, Birmingham B6 7BA. Telephone: 0121 356 4848

This announcement appears as a matter of record only

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Investment Manager
Concord National (BVI) Limited
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Placing and Additional Placing of
4,579,006 Participating Redeemable Preference Shares
 raising
US\$ 46,000,000

International Placing Agent and Sponsor

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July 1996

INTERNATIONAL CAPITAL MARKETS

German bunds outperform US Treasuries

By Samer Iskander in London and Lisa Bransten in New York

Although Treasuries were the main source of inspiration for European bonds yesterday, German bunds again outperformed the US market. The 10-year yield spread of Treasuries over bunds widened to 89 points, the highest level this year, from 58 basis points last Thursday and 45 a week earlier.

grow at a moderate pace in the second half.

Interest rate concerns sent US Treasury prices lower in early trading but by midday prices had recovered from their session lows as data on manufacturing activity proved not nearly as strong as traders had feared.

long end bounced sharply higher in response. Near midday, the long bond was unchanged at 95 1/2 to yield 7.107 per cent and the December 30-year bond future was steady at 106 1/2.

Particularly reassuring to the market was that while both prices paid and the yield curve that maps the future closed 1/2 lower at 106 1/2.

The yield curve that maps the future closed 1/2 lower at 106 1/2.

A vast majority of economists did not expect any change in monetary policy, although some analysts are still expecting one more rate cut later this year or early in 1997.

Liffe's September long gilt future closed 1/2 lower at 106 1/2.

Mr Simon Briscoe, chief UK economist at Nikko Europe, said: "The market would be disappointed by a cut in the base rate [this week]. But yields would benefit from a cut in November, if it comes on the back of a tight budget."

currently at 89 basis points, could tighten by up to 10 basis points this week and more than 50 basis points in coming months, he said.

French bonds ended higher with help from recovering Treasuries, but prospects for the near future were clouded by an unstable social climate and uncertainty ahead of today's release of GDP data for the second quarter.

Banks assume market risk in UK power deal

By Richard Lapper, Capital Markets Editor

Syndication of one of the first UK power projects under the terms of which banks will assume an element of market risk stems from possible fluctuations in electricity prices will begin today.

SYNDICATED LOANS

The deal is also the first independent power plant financing in the UK since the Hamble Power project nearly two years ago.

Credit Suisse is sole arranger of the £388m loan for Rookes Power, which is building a 750MW natural gas fired power plant at Runcorn in Cheshire.

The loan package consists of two tranches: a three-year £70m equity bridge loan - which is not being syndicated - and a 17-year £388m non-recourse project loan, of which £288m is to be syndicated.

Pricing on the non-recourse facility falls from 117.5 basis points in the construction phase of the project to 112.5 basis points from year one to five. It then rises to 120 basis points between years six and eight and 130 basis points in years nine to 15.

ABN Amro and NatWest Markets have joined Credit Suisse as underwriters. About 20 banks will be selected to syndicate the facility, with each taking either £12m or £17.5m.

IDB \$500m offer taps strong demand for five-year maturity

By Conner Middelmann

Yesterday's session spelled the end of the summer lull in the eurobond market with several large dollar and D-Mark deals launched despite volatility in the government bond markets.

defensive positions amid renewed interest-rate uncertainty. Pricing of 5 basis points over Treasuries was deemed to be tight but fair.

Hard on the heels of the IDB, Deutsche Anzeigerbank, the government-owned financing institution for

er's first dollar deal since 1992 and only the third Japanese government-backed bond in the current fiscal year.

Priced at 27 basis points over Treasuries, the spread narrowed to 26 basis points, with the issue being well oversubscribed, lead manager IEB said.

New international bond issues

Table with columns: Issuer, Amount, Coupon, Price, Maturity, Fees, Spread, Book-runner. Includes entries for US Dollars, D-Marks, Swiss Francs, and Australian Dollars.

Standard & Poor's yesterday raised its credit rating outlook for Mexico from negative to stable and affirmed its BB foreign-currency debt rating, reflecting the country's reduced vulnerability to political and external shocks and the recovery of macroeconomic stability.

WORLD BOND PRICES

Table of benchmark government bonds for Australia, Austria, Belgium, Canada, Denmark, France, Germany, Italy, Japan, Netherlands, Portugal, Spain, Sweden, UK Gilts, and US Treasury.

BOND FUTURES OPTIONS (LFFE) DM250,000 points of 100%

Table of bond futures and options for various currencies including US, Euro, and UK.

FT-ACTUARIES FIXED INTEREST INDICES

Table of fixed interest indices for various maturities and coupon rates.

FT FIXED INTEREST INDICES

Table of fixed interest indices for various maturities and coupon rates.

US INTEREST RATES

Table of US Treasury bills and bond yields for various maturities.

NOTIONAL FRENCH BOND FUTURES (MATIF) FF500,000

Table of notional French bond futures for various maturities.

NOTIONAL SPANISH BOND FUTURES (MEFF)

Table of notional Spanish bond futures for various maturities.

NOTIONAL UK GILT FUTURES (LFFE) £50,000 32nds of 100%

Table of notional UK gilt futures for various maturities.

NOTIONAL LONG TERM JAPANESE GOVT. BOND FUTURES (LJFFE) ¥100m 100ths of 100%

Table of notional long term Japanese government bond futures.

NOTIONAL GERMAN BUND FUTURES (LFFE) DM250,000 100ths of 100%

Table of notional German bund futures for various maturities.

BOND FUTURES AND OPTIONS

France

Table of French bond futures and options for various maturities.

Germany

NOTIONAL GERMAN BUND FUTURES (LFFE) DM250,000 100ths of 100%

Table of notional German bund futures for various maturities.

UK Gilts Prices

Yield to Maturity

Table of UK gilt yields for various maturities.

Other Fixed Interest

Notes

Table of other fixed interest instruments including notes and bonds.

DEUTSCHE MARK STRAIGHTS

Notes

Table of Deutsche Mark straight bonds.

OTHER STRAIGHTS

Notes

Table of other straight bonds from various issuers.

CONVERTIBLE BONDS

Notes

Table of convertible bonds.

STRAIGHT BONDS

Notes

Table of straight bonds.

Large table of international bond issues with columns for Issuer, Amount, Coupon, Price, Maturity, Fees, Spread, and Book-runner. Includes entries for various international issuers and currencies.

Dollar Street

مركز المال

CURRENCIES AND MONEY

MARKETS REPORT

Dollar slide helps boost sterling performance

By Richard Adams

Strong demand for sterling from institutional investors in the foreign exchange market yesterday sent the pound higher, while the major currencies stayed flat.

The pound traded ahead against the US dollar, the yen and the D-Mark, after the dollar stalled following Monday's rise on the back of oil price increases and political tension.

By the close of the market in London, the pound had risen by almost a penny against the D-Mark, to DM2.3188 at the previous day's close.

Against the dollar, sterling rose to \$1.5679 from \$1.5585, and against the yen it went up to ¥171.356, from ¥170.243. Sterling's trade-weighted index closed at 85.3, a rise of 0.8 since last week.

Sterling's strength could be a factor in today's meeting between Mr Kenneth Clarke, the chancellor, and Mr Eddie George, the governor of the Bank of England.

The dollar closed down against the D-Mark, at DM1.4894 from DM1.4889. It was slightly stronger against the yen, ending at ¥108.290, from ¥108.165.

Dealers in the US dollar have been frustrated by the dollar's lack of ability to break out of its current trading range.

Despite good news about the economy, growth with the appearance of inflation.

The narrow trading range between the D-Mark and the dollar has benefited sterling this week. Traders favour the pound over other European currencies for two reasons. They think it will avoid exchange rate turbulence.

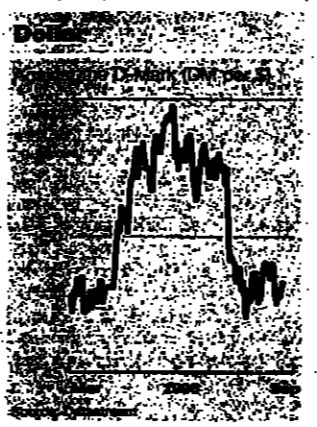
The Federal Reserve dare not risk being blamed. The risk of waiting three to six months [to raise rates] is very small, compared with

tionary pressures, the dollar has remained range-bound. But Mr Robin Aspinall, chief economist for Europe at National Australia Bank in London, said that international capital flows were running against the dollar.

In Mr Aspinall's view, buying by portfolio investors that were previously underweight in the US dollar has now stopped, as has buying by the Bank of Japan. The combination has left the dollar with little direction.

With the election looming, Mr Aspinall predicts that Mr Alan Greenspan, chairman of the Federal Reserve, will be wary of raising interest rates soon. One reason for his reluctance will be the current level of Wall Street equity prices, which look vulnerable to a fall.

"The Federal Reserve dare not risk being blamed. The risk of waiting three to six months [to raise rates] is very small, compared with



The risk of precipitating a bursting bubble, Mr Aspinall said.

The narrow trading range between the D-Mark and the dollar has benefited sterling this week. Traders favour the pound over other European currencies for two reasons. They think it will avoid exchange rate turbulence.

lence of European currencies involved with monetary union, while its healthy economic fundamentals give it an edge over its European partners.

Mr Tony Norfield, treasury economist at ABN Amro in London, said that the rise in the pound's trade-weighted index this week could overshadow an interest rate cut.

Before the last rate cut, the pound rose to 86.4 against the trade-weighted basket, which contains the currencies of the UK's main trading partners. With the index at 85.3, Mr Norfield said the pound's strength could indicate a cut.

"I think it's possible that further pound strength might be a factor in a base rate cut," he said.

Global investor portfolios shifted from a net underweight to a net overweight position in D-Marks, Dutch guilders and Swiss francs in

the three months to August, according to the latest survey of international fund managers by Merrill Lynch.

The quarterly survey showed that the net exposure index, compiled from the returns of 78 institutional fund managers from the US, Europe and Japan, rose to 55 in August for the three European currencies, from 44 in May. An index reading of 50 is neutral.

Net exposure to the dollar, meantime, remained overweight but dropped 6.5 points to 60.25 during the three months to its lowest level since May 1995. It was the biggest quarterly decline in dollar exposure since early 1993.

Global investor portfolios shifted from a net underweight to a net overweight position in D-Marks, Dutch guilders and Swiss francs in

POUND SPOT FORWARD AGAINST THE POUND

Table with columns for Sep 3, Closing mid-point, Change on day, Bid/offer spread, Day's mid, One month, Three months, One year, and Bid/offer spread. Rows include Europe, Americas, and Pacific/Middle East/Africa.

DOLLAR SPOT FORWARD AGAINST THE DOLLAR

Table with columns for Sep 3, Closing mid-point, Change on day, Bid/offer spread, Day's mid, One month, Three months, One year, and Bid/offer spread. Rows include Europe, Americas, and Pacific/Middle East/Africa.

CROSS RATES AND DERIVATIVES

Table with columns for Sep 3, Bid, Offer, Change, High, Low, Est. vol, and Open int. Rows include D-MARK FUTURES, SWISS FRANC FUTURES, and UK INTEREST RATES.

EMS EUROPEAN CURRENCY UNIT RATES

Table with columns for Sep 3, Bid, Offer, Change, High, Low, Est. vol, and Open int. Rows include Spain, Netherlands, Portugal, Germany, Austria, Ireland, Denmark, and France.

UK INTEREST RATES

Table with columns for Sep 3, Over-night, 7 days, One month, Three months, Six months, and One year. Rows include Interbank Sterling, Treasury Bills, Bank Bills, Local authority deposits, and Discount Market deposits.

NON ERM MEMBERS

Table with columns for Sep 3, Bid, Offer, Change, High, Low, Est. vol, and Open int. Rows include Greece, Italy, and UK.

BASE LENDING RATES

Table with columns for Bid, Offer, Change, High, Low, Est. vol, and Open int. Rows include Adams & Company, Dunlop Bank, HSBC Bank, and others.

OTHER CURRENCIES

Table with columns for Sep 3, Bid, Offer, Change, High, Low, Est. vol, and Open int. Rows include Cash, US Dollar, Japanese Yen, and others.

THREE MONTH STERLING FUTURES

Table with columns for Sep 3, Bid, Offer, Change, High, Low, Est. vol, and Open int. Rows include Sep, Oct, Nov, Dec, Jan, Feb, Mar, Apr, May, Jun, Jul, Aug, Sep.

THREE MONTH EURO-DOLLAR

Table with columns for Sep 3, Bid, Offer, Change, High, Low, Est. vol, and Open int. Rows include Sep, Oct, Nov, Dec, Jan, Feb, Mar, Apr, May, Jun, Jul, Aug, Sep.

THREE MONTH EURO-DOLLAR

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WORLD INTEREST RATES

Table with columns for Sep 3, Over-night, One month, Three months, Six months, One year, Lomb. inter., Dis. rate, and Repo rate. Rows include Belgium, France, Germany, Ireland, Italy, Netherlands, Switzerland, US, Japan, and UK.

EURO CURRENCY INTEREST RATES

Table with columns for Sep 3, Bid, Offer, Change, High, Low, Est. vol, and Open int. Rows include Belgium, France, Germany, Ireland, Italy, Netherlands, Switzerland, US, Japan, and UK.

THREE MONTH EURO-DOLLAR FUTURES

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Advertisement for Lind-Walcock & Company, featuring 'Fast Fills. Great Rates. What's the Catch?' and 'The Top Opportunities Section'.

Vertical text on the left margin: 'Assume risk in... deal'.

COMMODITIES AND AGRICULTURE

Real price of gold seen at \$580 by 2010

By Kenneth Gooding, Mining Correspondent

There is a 60 per cent probability that the real price of gold, measured in 1996 US dollars, will increase by nearly 3 per cent a year in the period to 2010, according to a new report from the Economist Intelligence Unit.

This would take gold's price to \$650 a troy ounce between 2006 and 2010. However, this is only the "central scenario" in the report's examination of the global gold market.

Two other scenarios are envisaged. One postulates zero annual growth in the real price of gold. This has a 15 per cent probability, according to the EIU, and would leave the gold price at \$462 an ounce in 2010.

The authors, Mr Alan Mackie, an economist, and Mr James Regan, a mine surveyor, point out that South

SUPPLY/DEMAND SCENARIOS (tonnes) table with columns for 1996-2000, 2001-05, 2006-10 and rows for Scenario 1 (80% probability), Scenario 2 (25% probability), Scenario 3 (15% probability).

African production is falling as miners must go deeper to find enough gold. This is pushing up production costs. It would take a price of at least \$500 an ounce to make it worthwhile to mine the bulk of South Africa's remaining gold and costs are rising so fast in many mines that within a decade \$600 (at 1995 prices) would be needed," they add.

prominent in the 15 years 1996-2010. As fresh supplies of gold become more restricted, the level of demand will be the chief determinant of price.

"Western jewellery consumption will be an important driver of demand, but the principal driver will be the value the peasant constituencies of developing countries in the Far East, India and the Pacific Rim place on gold compared with paper money.

On the demand side, the central scenario sees demand from the Far East "the bedrock of the price recovery", being sustained. The EIU suggests demand for physical gold will rise at 1.5 per cent a year.

millennium, we could see a revival of speculative interest in gold.

On the question of whether there will be enough gold to meet future demand, the report points out that today's global proven reserves that can be mined at present prices totals 18,700. But only 8,000 to 8,500 tonnes would be available to the market during the 15 years of the forecast period.

That implies a total of 13,500-14,000 tonnes of available gold. The authors state: "This is barely enough to cover four years of current physical demand, less recycled gold. Clearly the market is relying heavily on the stock and bar hoarders to dispose significant amounts of gold. But will they do so at current prices? All the evidence suggests that they will not. In which case something else will have to give, and we believe it will be the price."

Gold to 2010: What will drive the price? \$345 or \$345 from the EIU, 16 Regent Street, London, SW1Y 4LR, UK

Tajikistan aluminium smelter denies Russian report of shutdown

A senior official at Tajikistan's Turansad aluminium smelter yesterday denied that the plant had been forced to close down as reported last month by the Russian Interfax news agency.

Mr Sa'diddin Sharipov, acting chief engineer at the smelter, said the plant had had problems with supplies of raw materials last month and that some workers had not shown up for work, but there had been no total shutdown.

Nevertheless, he said the forecast of output at the plant this year had been cut from a targeted 240,000 tonnes. "In 1996, we will produce 200,000 tonnes of primary aluminium," Mr Sharipov said.

He added that output would definitely not reach 1995's level of 236,500 tonnes.

Two of the plant's 12 smelting units were shut down in March and Mr Abbas Radzhabov, head of the government's industry department, said Turansad was working at only 45 per cent of its 300,000-tonnes-a-year capacity.

Mr Sharipov said the smelter's raw materials reserves were low - less than a month's supply compared with an average six-weeks - and electricity supply problems could appear this winter after the neighbouring Central Asian state of Uzbekistan pulled out of an electricity barter arrangement with Tajikistan.

Turansad, about 50km west of the Tajik capital

Dushanbe, owed creditors more than \$100m, he said.

Plant officials had presented a two-stage privatisation plan for the smelter for the consideration of the Tajik government, Mr Sharipov said.

Mr Nikolai Doroshev, head of Tajikistan's foreign economic relations department, said the smelter was involved in a \$50m project to reconstruct a unit for enriching anodes. It planned to complete the reconstruction, begun last year, in three or four years, but funding problems could push back the date.

Mr Sharipov also said the plant had invited several foreign firms to Turansad to discuss reconstruction of two units but that talks had been inconclusive.

NZ wine may flow too freely over next two years

By Terry Hall in Wellington

The New Zealand wine industry faces overproduction problems over the next two years as new vineyards reach maturity, Wine Institute chairman Mr John Buck says in the annual report.

Encouraged by booming export sales, the producing vineyard area is expected to rise from 6,700 hectares this year to 8,293 hectares in 1998. Mr Buck says however that concern at the trend is leading to a fall in plantings this year. There had also been anecdotal reports of vines being extracted, which could lead to a fall in the areas planted by the year 2000.

The increase in the mature vineyard area can

reasonably be expected to produce over 90,000 tonnes of grapes in every "average" climatic year from 1998 on," he says. This would be a 55 per cent increase on the 58,000 tonnes produced in the year to June 30.

Mr Buck believes that the increase in the vineyard areas will ensure future export production will not be hampered as at present by grape shortages and will allow many New Zealand vineyards to build sustainable positions for their brands.

The annual report says that New Zealand wine exports are expected to rise from the current NZ\$260.5m (US\$40m) to NZ\$126m by the year 2000.

In the past year sales of

New Zealand wine are estimated to have been 43.5m litres, a 12 per cent rise on 1995. While exports rose by 41 per cent, domestic sales, under the impact of two rises in duties, rose "sluggishly" to 32.9m litres.

Mr Buck says that the industry appears to have a bright future provided the challenge of increased production is properly addressed. This will, he says, require a greater sales effort, with more investment in processing, research and development and market development work.

He warns that some industry participants do not measure up, but is confident that many will prosper during this growth phase.

MARKET REPORT

LME copper prices challenge resistance

COPPER prices pushed higher yesterday afternoon on the London Metal Exchange to challenge the upper end of its new chart range.

Traders said copper again dominated with wide price movements seen as the market geared up for today's September option declarations. A brief spell of consolidation in mid-afternoon was ended by a flurry of short-covering, although solid resistance was encountered at \$2,050 a tonne for three months delivery.

"There is key support at \$1,970 - the break-out point

LME WAREHOUSE STOCKS (as at Thursday's close) table with columns for Aluminium, Aluminium alloy, Copper, Lead, Nickel, Zinc, Tin.

and resistance at \$2,045/2,050," said one trader. "We've tested both of those today."

Last business was at \$2,040 a tonne, up \$14. Movements were less extreme in the other base metals, with ALUMINIUM mostly content to hold above

\$1,500 a tonne for three months delivery. Traders expect the market to stay within a broader \$1,470/\$1,530 band. The final kerb trade yesterday was at \$1,506, a \$5 loss.

NICKEL prices moved higher during the afternoon rings, with the triggering of stop-loss buying orders above \$7,600 a tonne carrying the market up to \$7,600 at one point. The last trade was at \$7,550, a \$135 gain on the day.

Traders said the market was still trying to consolidate after recent wide price moves, with some support

expected around yesterday's low of \$7,400 a tonne. However, this conditions meant price movements would remain volatile, they said.

The LEAD market tried to push higher in the afternoon but the three months price faltered at \$820 a tonne. However, prices still closed with modest gains and final business was at \$819, up \$4.

At the London Commodity Exchange COCOA futures sank, under pressure from trade profit-taking and speculative selling, to six-month lows. But traders said the market was poised for an upward correction after finishing

low for seven or eight successive sessions. "The selling seems to be a bit overdone," said one.

The December contract fell to \$355 a tonne below setting \$10 down at \$357.

Robust COFFEE futures extended losses to touch fresh three-week lows after New York's arabica market re-opened sharply lower following a build-up in long positions by US investment funds, traders said. At the close the benchmark November delivery contract was down \$57 at \$1,568 a tonne, just \$1 off the low.

COMMODITIES PRICES

BASE METALS

LONDON METAL EXCHANGE

Table of LME prices for various metals including Aluminium, Copper, Lead, Nickel, Zinc, Tin, and Silver.

Precious Metals continued

GOLD COMEX (100 Troy oz; \$/troy oz)

Table of Precious Metals prices including Gold, Silver, and Platinum.

GRAINS AND OIL SEEDS

WHEAT LCE (\$/cwt)

Table of Grain and Oil Seeds prices including Wheat, Maize, and Soybeans.

SOFTS

COCOA LCE (\$/tonne)

Table of Softs prices including Cocoa, Coffee, and Sugar.

MEAT AND LIVESTOCK

LIVE CATTLE CME (40,000 lbs; cents/lb)

Table of Meat and Livestock prices including Live Cattle, Pork Bellies, and Hogs.

ENERGY

CRUDE OIL NYMEX (1,000 barrels; \$/barrel)

Table of Energy prices including Crude Oil, Heating Oil, and Natural Gas.

FUTURES DATA

All futures data supplied by CME.

Table of Futures Data for various commodities.

INDICES

REUTERS (Base: 100/100=100)

Table of Indices including Reuters, CRB, and S&P 500.

MINOR METALS

European tree market, from Metal Bulletin.

Table of Minor Metals prices including various grades of steel and other metals.

VOLUME DATA

Open Interest and Volume data shown for contracts traded on COMEX, NYMEX, CBOT, NYCE, CME, CDSCE and IPE Crude Oil.

Table of Volume Data for various commodities.

JOTTER PAD

Table of LONDON TRADED OPTIONS for various metals and commodities.

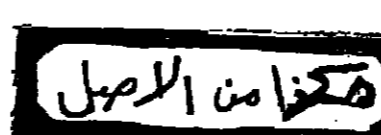
CROSSWORD

No.9,164 Set by HIGHLANDER

Crossword puzzle grid with clues for Across and Down.

- ACROSS: 1 Reserve concludes they stop volumes falling (4,4), 5 Caught sweetheart in the lap of luxury (6), 7 It's utter wickedness to comprehend nothing (5), 10 Where liars hang out is the ideal spot (7-2), 12 Organised about helping relation (9), 13 Put pressure on without opening lock (5), 14 Does church break bread on Sunday? (6), 15 Took care of royal pecking order (7), 18 Sudden change of attitude about crop for top cereal (7), 20 Provides key to witticisms (6), 22 Not very attractive, like sound of Concorde? (5), 24 Larks unconscious - a sign it's time to retire (6,3), 25 Whimpy goal; head off the inquiry (8), 26 Slightly damp love-in-a-mist (5), 27 Cuts of meat and timber on board (6), 28 Nothing sussed out here (8) unknown classical hero (8).

AGORA ANANDA crossword puzzle grid.



FT MANAGED FUNDS SERVICE

FT Cityline Unit Trust Prices are available over the telephone. Call the FT Cityline Help Desk on (44 171) 873 4576 for more details.

OFFSHORE AND OVERSEAS

BERMUDA (SIB RECOGNISED)

Table listing various offshore funds under Bermuda (SIB Recognised) with columns for fund name, price, and change.

BERMUDA (REGULATED)**

Table listing various offshore funds under Bermuda (Regulated) with columns for fund name, price, and change.

GUERNSEY (SIB RECOGNISED)

Table listing various offshore funds under Guernsey (SIB Recognised) with columns for fund name, price, and change.

GUERNSEY (REGULATED)**

Table listing various offshore funds under Guernsey (Regulated) with columns for fund name, price, and change.

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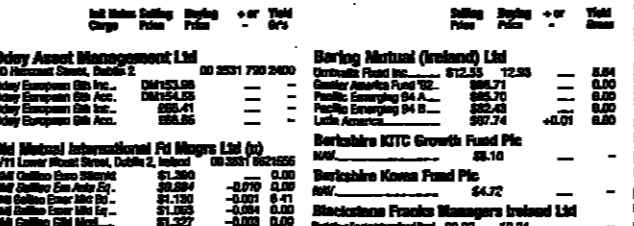


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Offshore Funds

Table listing various offshore funds in the fifty-third column of the main table.

Offshore Funds and Insurances

FT Cityline Unit Trust Prices are available over the telephone. Call the FT Cityline Help Desk on (+44 171) 873 4378 for more details.

FT MANAGED FUNDS SERVICE

Main table containing various fund listings including Royal Bk of Scotland, TSB Fund Managers, WMS Asset Management, LUXEMBOURG (SIB RECOGNISED), and numerous international funds like American Mutual, European, and Global funds.

OFFSHORE INSURANCES

Table listing various offshore insurance companies and their services, including AXA, Allianz, and other international insurers.

مكتبات الاموال

FT MANAGED FUNDS SERVICE

Offshore Insurances and Other Funds

FT Cityline Unit Trust Prices are available over the telephone. Call the FT Cityline Help Desk on (444 171) 873 4378 for more details.

Main table containing financial data for various funds, including columns for fund names, prices, and other metrics.

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OTHER OFFSHORE FUNDS table listing various offshore fund options.

MANAGED FUNDS NOTES section providing additional information and disclaimers for the fund service.

ALCOHOLIC BEVERAGES

Table listing companies in the Alcoholic Beverages sector with columns for company name, share price, and change.

BANKS, MERCHANT

Table listing companies in the Banks, Merchant sector.

BANKS, RETAIL

Table listing companies in the Banks, Retail sector.

BREWERS, PUBS & REST

Table listing companies in the Brewers, Pubs & Rest sector.

BUILDING & CONSTRUCTION

Table listing companies in the Building & Construction sector.

BUILDING MATS. & MERCHANTS

Table listing companies in the Building Mats. & Merchants sector.

CHEMICALS

Table listing companies in the Chemicals sector.

CHEMICALS - Cont.

Continuation of Chemicals sector table.

DISTRIBUTORS

Table listing companies in the Distributors sector.

DIVERSIFIED INDUSTRIALS

Table listing companies in the Diversified Industrials sector.

ELECTRICITY

Table listing companies in the Electricity sector.

ELECTRONIC & ELECTRICAL EQPT

Table listing companies in the Electronic & Electrical Eqpt sector.

ENGINEERING

Table listing companies in the Engineering sector.

ENGINEERING, VEHICLES

Table listing companies in the Engineering, Vehicles sector.

EXTRACTIVE INDUSTRIES

Table listing companies in the Extractive Industries sector.

EXTRACTIVE INDUSTRIES - Cont.

Continuation of Extractive Industries sector table.

ENGINEERING - Cont.

Continuation of Engineering sector table.

ENGINEERING, VEHICLES - Cont.

Continuation of Engineering, Vehicles sector table.

EXTRACTIVE INDUSTRIES - Cont.

Continuation of Extractive Industries sector table.

HOUSEHOLD GOODS

Table listing companies in the Household Goods sector.

ELECTRONIC & ELECTRICAL EQPT - Cont.

Continuation of Electronic & Electrical Eqpt sector table.

ENGINEERING - Cont.

Continuation of Engineering sector table.

EXTRACTIVE INDUSTRIES - Cont.

Continuation of Extractive Industries sector table.

HOUSEHOLD GOODS - Cont.

Continuation of Household Goods sector table.

INSURANCE

Table listing companies in the Insurance sector.

INVESTMENT TRUSTS

Table listing companies in the Investment Trusts sector.

INVESTMENT TRUSTS - Cont.

Continuation of Investment Trusts sector table.

FOOD PRODUCERS

Table listing companies in the Food Producers sector.

FOOD PRODUCERS - Cont.

Continuation of Food Producers sector table.

GAS DISTRIBUTION

Table listing companies in the Gas Distribution sector.

HEALTH CARE

Table listing companies in the Health Care sector.

HOUSEHOLD GOODS - Cont.

Continuation of Household Goods sector table.

INV TRUSTS SPLIT CAPITAL

Table listing companies in the Inv Trusts Split Capital sector.

INVESTMENT TRUSTS - Cont.

Continuation of Investment Trusts sector table.

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مكتبات الاموال

LONDON SHARE SERVICE

INV TRUSTS SPLIT CAPITAL - Cont.

Table listing various investment trusts and their share prices, including columns for company names and prices.

OTHER INVESTMENT TRUSTS

Table listing other investment trusts and their share prices.

INVESTMENT COMPANIES

Table listing investment companies and their share prices.

LEISURE & HOTELS

Table listing leisure and hotel companies and their share prices.

LEISURE & HOTELS - Cont.

Table listing leisure and hotel companies and their share prices.

LIFE ASSURANCE

Table listing life assurance companies and their share prices.

MEDIA

Table listing media companies and their share prices.

OIL EXPLORATION & PRODUCTION

Table listing oil exploration and production companies and their share prices.

OIL, INTEGRATED

Table listing integrated oil companies and their share prices.

OTHER FINANCIAL

Table listing other financial companies and their share prices.

PAPER, PACKAGING & PRINTING

Table listing paper, packaging and printing companies and their share prices.

PHARMACEUTICALS

Table listing pharmaceutical companies and their share prices.

PROPERTY

Table listing property companies and their share prices.

PROPERTY - Cont.

Table listing property companies and their share prices.

PROPERTY - Cont.

RETAILERS, FOOD

Table listing food retailers and their share prices.

RETAILERS, GENERAL

Table listing general retailers and their share prices.

SUPPORT SERVICES

Table listing support services companies and their share prices.

TELECOMMUNICATIONS

Table listing telecommunications companies and their share prices.

TEXTILES & APPAREL

Table listing textiles and apparel companies and their share prices.

TOBACCO

Table listing tobacco companies and their share prices.

TRANSPORT

Table listing transport companies and their share prices.

WATER

Table listing water companies and their share prices.

AIM - Cont.

Table listing AIM companies and their share prices.

AMERICANS

Table listing American companies and their share prices.

CANADIANS

Table listing Canadian companies and their share prices.

SOUTH AFRICANS

Table listing South African companies and their share prices.

GUIDE TO LONDON SHARE SERVICE

Price for the London Share Service delivered by FT Ltd, a member of the Financial Times Group. Company information is based on data used for the FT-SE 100 index.

Advertisement for recruitment services: 'IS THERE A MORE ENTHUSIASTIC, SKILLED AND DIVERSE WORKFORCE IN EUROPE? I DOUBT IT. 0800 22 0151. A pool of talent.'

LONDON STOCK EXCHANGE

MARKET REPORT

Iraq attack and interest rate fears hit shares

By Steve Thompson, UK Stock Market Editor

A report that the US Federal Reserve is set to hoist US interest rates by half of one percentage point after its next policy making meeting plus news of the US missile attack on Iraqi installations saw UK share prices fall sharply yesterday.

Turnover of 20m at the close of the session indicated the securities house had yet to complete the sale to clients. Shares in PowerGen were also weak, closing 8 lower at 496p.

Some extreme unease across Europe about the downside potential for Wall Street in view of the US interest rate fears were partly allayed by the latest economic news from across the Atlantic. The National Association of Purchasing Management's August index came in at 52.6 per cent up from 50.2 per cent but well below some of the US market's more fanciful numbers.

Industrial Average fell almost 60 points, before embarking on a strong recovery which saw the Average pick up sufficiently to post a 16 point rise 90 minutes after London closed.

The stakes, 28.5m and 17m shares respectively, were sold on to Goldman Sachs and UBS, via bought deals.

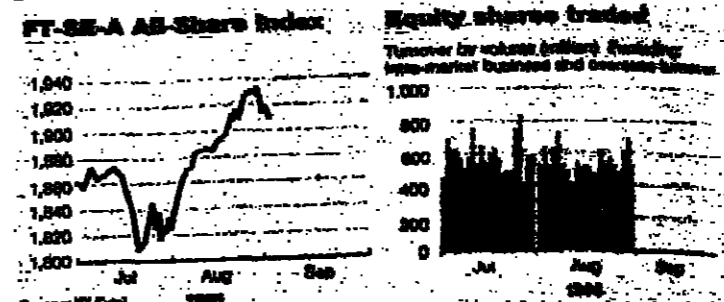


Table of indices and ratios including FT-SE 100, FT-SE 250, FT-SE 350, FT-SE All-Share, and FT-SE All-Share Yield. It also lists best performing sectors like Household Goods and Health Care.

Utilities bought deals

By Joel Kibazo and Lisa Wood

The market spotlight was firmly fixed on the utilities as the government sold its residual stakes in two power generators and a regional electricity company.

National Power topped the list of the day's most actively traded stocks with a closing total of 52m after the government sold its holding of 28.7m shares to Goldman Sachs.

Dealers suggested the sharp decline of the market may have prevented completion of the sale. National Power shares fell 9 to 363p.

With worries about international travel gaining strength during the session, airports operator BAA also came under pressure. The shares surrendered 6% to 474p. Volume was 1.8m.

The US missile attack on selected targets in Iraq provided the spur for trading in several sectors across the market.

Oil stocks which rose steadily on Monday on the back of the rising global crude oil prices, once again mirrored sentiment in the international oil market.

Yorkshire fell 2% to 1210p while United News & Media slipped 1% to 705p. This was also partly due to the news that it is to merge its Daily Express and Sunday Express newspaper titles.

Granada was also adversely affected by Yorkshire's merger. At its interim results, expressing concern over its falling advertising revenues.

At the 6pm reading overall turnover was 702.8m shares. That figure should see customer business transacted yesterday recover strongly from Monday's 522.2m, the lowest daily total for many months.

George Wimpey fell 3% to 130p following a poor set of results. A number of brokers trimmed forecasts including BZW which dropped its estimate from 65m to 52m.

Mr Charles Lander at the broker cited the yield attractions of GA and also said: "On fundamentals Royal Sun will have a difficult couple of years as it executes the recent merger. It also has the highest exposure to the UK cyclical downturn."

heavy trading in Hanson stock, with two large lines of shares, 9m and 8.5m traded at 157p, boosting overall turnover to 22m. The shares slipped 1% to 156p.

Blue Circle softened 3% to 370p following results in line with expectations but analysts expressed concerns over where the blue-chip stock goes from here, with a number of overseas markets operating at peak levels.

Hilldown advanced 2 to 189p ahead of interim results tomorrow. There was exceptionally

FUTURES AND OPTIONS

Table showing FT-SE 100 Index Futures (LFFE) and FT-SE 100 Index Options (LFFE) with columns for Open, Settle, Change, High, Low, and Volume.

LONDON RECENT ISSUES: EQUITIES

Table listing recent equity issues with columns for Issue, Amt, Mkt, 1996, Close, Net, Div, Gr, P/E, and other metrics.

FT GOLD MINES INDEX

Table showing the FT Gold Mines Index with columns for Sep 3, Sep 2, Aug 30, Aug 29, Aug 28, Aug 27, Aug 26, Aug 25, Aug 24, Aug 23, Aug 22, Aug 21, Aug 20, Aug 19, Aug 18, Aug 17, Aug 16, Aug 15, Aug 14, Aug 13, Aug 12, Aug 11, Aug 10, Aug 9, Aug 8, Aug 7, Aug 6, Aug 5, Aug 4, Aug 3, Aug 2, Aug 1, Aug 0, Aug -1, Aug -2, Aug -3, Aug -4, Aug -5, Aug -6, Aug -7, Aug -8, Aug -9, Aug -10, Aug -11, Aug -12, Aug -13, Aug -14, Aug -15, Aug -16, Aug -17, Aug -18, Aug -19, Aug -20, Aug -21, Aug -22, Aug -23, Aug -24, Aug -25, Aug -26, Aug -27, Aug -28, Aug -29, Aug -30, Aug -31, Aug -32, Aug -33, Aug -34, Aug -35, Aug -36, Aug -37, Aug -38, Aug -39, Aug -40, Aug -41, Aug -42, Aug -43, Aug -44, Aug -45, Aug -46, Aug -47, Aug -48, Aug -49, Aug -50, Aug -51, Aug -52, Aug -53, Aug -54, Aug -55, Aug -56, Aug -57, Aug -58, Aug -59, Aug -60, Aug -61, Aug -62, Aug -63, Aug -64, Aug -65, Aug -66, Aug -67, Aug -68, Aug -69, Aug -70, Aug -71, Aug -72, Aug -73, Aug -74, Aug -75, Aug -76, Aug -77, Aug -78, Aug -79, Aug -80, Aug -81, Aug -82, Aug -83, Aug -84, Aug -85, Aug -86, Aug -87, Aug -88, Aug -89, Aug -90, Aug -91, Aug -92, Aug -93, Aug -94, Aug -95, Aug -96, Aug -97, Aug -98, Aug -99, Aug -100.

FT - SE Actuaries Share Indices

Table showing FT-SE Actuaries Share Indices with columns for Sep 3, Sep 2, Aug 30, Aug 29, Aug 28, Aug 27, Aug 26, Aug 25, Aug 24, Aug 23, Aug 22, Aug 21, Aug 20, Aug 19, Aug 18, Aug 17, Aug 16, Aug 15, Aug 14, Aug 13, Aug 12, Aug 11, Aug 10, Aug 9, Aug 8, Aug 7, Aug 6, Aug 5, Aug 4, Aug 3, Aug 2, Aug 1, Aug 0, Aug -1, Aug -2, Aug -3, Aug -4, Aug -5, Aug -6, Aug -7, Aug -8, Aug -9, Aug -10, Aug -11, Aug -12, Aug -13, Aug -14, Aug -15, Aug -16, Aug -17, Aug -18, Aug -19, Aug -20, Aug -21, Aug -22, Aug -23, Aug -24, Aug -25, Aug -26, Aug -27, Aug -28, Aug -29, Aug -30, Aug -31, Aug -32, Aug -33, Aug -34, Aug -35, Aug -36, Aug -37, Aug -38, Aug -39, Aug -40, Aug -41, Aug -42, Aug -43, Aug -44, Aug -45, Aug -46, Aug -47, Aug -48, Aug -49, Aug -50, Aug -51, Aug -52, Aug -53, Aug -54, Aug -55, Aug -56, Aug -57, Aug -58, Aug -59, Aug -60, Aug -61, Aug -62, Aug -63, Aug -64, Aug -65, Aug -66, Aug -67, Aug -68, Aug -69, Aug -70, Aug -71, Aug -72, Aug -73, Aug -74, Aug -75, Aug -76, Aug -77, Aug -78, Aug -79, Aug -80, Aug -81, Aug -82, Aug -83, Aug -84, Aug -85, Aug -86, Aug -87, Aug -88, Aug -89, Aug -90, Aug -91, Aug -92, Aug -93, Aug -94, Aug -95, Aug -96, Aug -97, Aug -98, Aug -99, Aug -100.

FT - SE Actuaries All-Share

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Hourly movements

Table showing hourly movements for FT-SE 100, FT-SE 250, and FT-SE 350 with columns for Open, 9.00, 10.00, 11.00, 12.00, 13.00, 14.00, 15.00, 16.10, High/Low/Day/End.

FT-SE Actuaries 350 industry baskets

Table showing FT-SE Actuaries 350 industry baskets with columns for Basket, Open, 9.00, 10.00, 11.00, 12.00, 13.00, 14.00, 15.00, 16.10, Close, Previous, Change.

Advertisement for NatWest titled "NatWest takes the lead in corporate banking". It features a large headline, a sub-headline "Enough said.", and a detailed text block explaining NatWest's corporate banking services. The text mentions that NatWest is rated by finance directors as the best bank for short and medium term loans, treasury management, leasing, foreign exchange and international trade finance.

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Highs & Lows shown on a 52 week basis

WORLD STOCK MARKETS

EUROPE section containing stock market data for various European countries including Austria, Belgium, Germany, France, Greece, Ireland, Italy, Luxembourg, Netherlands, Portugal, Spain, and Switzerland.

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EUROPE section containing stock market data for various European countries including Austria, Belgium, Germany, France, Greece, Ireland, Italy, Luxembourg, Netherlands, Portugal, Spain, and Switzerland.

Rockwell supplies virtually every European car manufacturer with automotive components and systems. Rockwell logo and text.

EUROPE section containing stock market data for various European countries including Austria, Belgium, Germany, France, Greece, Ireland, Italy, Luxembourg, Netherlands, Portugal, Spain, and Switzerland.

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INDICES section containing data for various regional and global indices.

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INDEX FUTURES section containing data for various index futures contracts.

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Footnote and disclaimer text at the bottom of the page.

NEW YORK STOCK EXCHANGE PRICES

4 pm close September 3

Table of stock prices for companies starting with 'A' through 'M'. Columns include company name, price, and change.

Table of stock prices for companies starting with 'N' through 'S'. Columns include company name, price, and change.

Table of stock prices for companies starting with 'T' through 'Z'. Columns include company name, price, and change.

Table of stock prices for companies starting with 'A' through 'M'. Columns include company name, price, and change.

Table of stock prices for companies starting with 'N' through 'Z'. Columns include company name, price, and change.

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مكتبات الامارات



NYSE PRICES

Table of NYSE stock prices including columns for stock name, price, change, and volume. Includes sub-sections for 'Continued from previous page', 'V', 'W', 'T', 'U', 'X-Y-Z', and 'AMERX PRICES'.

NASDAQ NATIONAL MARKET

Table of NASDAQ National Market stock prices including columns for stock name, price, change, and volume. Includes sub-sections for 'Continued from previous page', 'V', 'W', 'T', 'U', 'X-Y-Z', and 'AMERX PRICES'.

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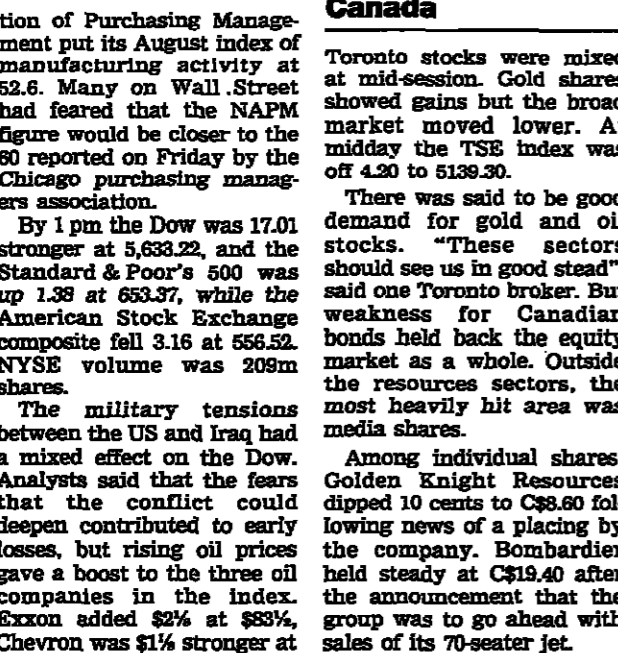
AMERX PRICES

Table of AMERX stock prices including columns for stock name, price, change, and volume. Includes sub-sections for 'Continued from previous page', 'V', 'W', 'T', 'U', 'X-Y-Z', and 'AMERX PRICES'.

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AMERICA
Dow pulls ahead after big early loss

Interest rate worries and the military tensions between the US and Iraq, sent US shares lower in early trading, but at mid-morning they began to reverse course as the day's data came in weaker than many investors had expected, writes Lisa Branstetter in New York. Blue chip companies in the Dow Jones Industrial Average were off as much as 54 points in early trading but began recovering at 10am after the National Association of Purchasing Management put its August index of manufacturing activity at 52.6. Many on Wall Street had feared that the NAPM figure would be closer to the 60 reported on Friday by the Chicago purchasing managers association. By 1 pm the Dow was 17.01 stronger at 5,633.22, and the Standard & Poor's 500 was up 1.39 at 653.37, while the American Stock Exchange composite fell 3.15 at 556.52. NYSE volume was 209m shares. The military tensions between the US and Iraq had a mixed effect on the Dow. Analysts said that the fears that the conflict could deepen contributed to early losses, but rising oil prices gave a boost to the three oil companies in the index. Exxon added 2% at \$89 1/4, Chevron was \$1 1/2 stronger at \$29 1/2, and Texaco climbed 2% to \$91 1/4. But rising fuel prices were a negative for airlines and other transport companies. The Dow Jones Transportation index lost 19.55 at 2,025.23. UAL, the parent company of United Airlines, slipped 3 1/4% at \$46 1/4. AMR, parent of American Airlines, fell 2 1/4% at \$20 1/4. Delta Air Lines lost 1 1/4% at \$69 1/4 and USAir fell 1 1/4% to \$17 1/4. Smaller capitalisation and technology shares also reversed course but did not make it into positive territory. The Nasdaq composite, which is about 40 per cent technology shares, was off 18 points before recovering by early afternoon and holding with a loss of 3.15 at 1,139.35. The Pacific Stock Exchange technology index was 0.3 per cent weaker. In individual shares, Arcadian added 3/4% at \$34 1/4 on news that it had agreed to be acquired by Canada's Potash for around \$1.8bn. Shares in Potash, which are traded on the New York stock exchange, lost 2 1/4% at \$7 3/4 on the news. Canada Toronto stocks were mixed at mid-session. Gold shares showed gains but the broad market moved lower. At midday the TSE index was off 4.20 to 5,139.30. There was said to be good demand for gold and oil stocks. "These sectors should see us in good stead", said one Toronto broker. But weakness for Canadian bonds held back the equity market as a whole. Outside the resources sectors, the most heavily hit area was media shares. Among individual shares, Golden Knight Resources dipped 10 cents to C\$8.60 following news of a placing by the company. Bombardier held steady at C\$19.40 after the announcement that the group was to go ahead with sales of its 70-seater jet. Mexico City under pressure Mexico City was weak at mid-session with the IPC index 29.82 weaker at 3,279.76 in nervous response to events in Iraq. Leading losers were the B shares of the financial group BBV-Prubursa, down 4.5 per cent to 56 centavos. The A shares of Cemex, the cement producer, were also under pressure, falling 3.2 per cent to 90 centavos to 27 pesos. Nominal shares of the builder, Tribasa, slipped 3 per cent to 18.72 pesos. Bellwether Telmex L shares were down 1.3 per cent to 12.22 pesos. SAO PAULO edged lower at mid-session, influenced by a sharp rise in the key US 30 year Treasury bond yield. The Bovespa index of the 49 most active stocks fell to 197 to 22,129.12 in weak volume of R\$180.9m. The benchmark Telebras preferred fell 0.5 per cent to R\$74.80. S Africa industrial stocks weakened Johannesburg's industrial stocks reversed early gains to end weaker on the back of the weak Wall Street opening and as futures players unwound positions ahead of the close-out. Golds, however, held firmer levels on a better bullion price. The overall index lost 29.9 to 6,705.1 and industrials fell 52.9 to 7,858.9, but golds rose 6.5 to 1,806.4. Analysts noted that while turnover was heavy, two-way action between institutions, overseas investors and futures players saw losses kept to a moderate level. The Beers dropped R2 to R137.75, Anglo American eased just 50 cents to R273 and Vaal Reefs picked up 525 cents to R887.



EUROPE
Paris looks to leading oil stocks for support

News of the US military strikes against Iraq and worries about an imminent uptick for US interest rates dominated activity in the European markets. However, as the day wore on PARIS rallied from the day's lows to close just 0.3 per cent lower. The oil sector stayed strong ahead of this week's results from both Total and Elf Aquitaine, and Thomson-CSF remained at the centre of a sea of takeover speculation. A number of financial shares also made up ground. Volume stayed on the light side and at the close the CAC-40 was down 5.55 at 1971.43. Total gained FF4.60 to FF4.90 and Elf put on FF4.90 to FF4.98 as investors continued to buy the sector on the back of firm oil prices and a general round of broker earnings upgrades. Total reports earnings today and Elf follows suit tomorrow. Among financials, BNP Paribas gained FF7.00 to FF7.50 and Suez rose FF0.9 to FF1.83. Profit-taking hit Alcatel Alsthom and the shares, up FF4.40 on Monday, came off FF8.4 to FF7.88. Thomson-CSF rose a further FF0.70 to FF148.2. Promodes, the retailer, gained FF6.00 to FF1.224 after news of the disposal of a loss-making German unit and one leading broker upgraded its stance on the stock. FRANKFURT had a volatile session with shares ending lower in what dealers described as good two-way volume. The Dax eased 9.61 to 2528.73 on an illiquid day. Lufthansa and Volkswagen both moved steeply lower, and there was said to be substantial profit-taking among second-line shares. On the upside, retailer Karstadt was a feature, gaining DM7.60 to DM286.50. Lufthansa fell DM6.75 to DM201.50 following a statement from the company which suggested that a further round of cost-cutting would be needed if it was to successfully ride out the tough trading conditions facing world airlines. Deutsche Bank came off 6 pf to DM72.70 with sentiment depressed by the problems at its UK investment arm, Morgan Grenfell. In spite of a recent upgrade by Lehman Brothers, Siemens gave up 22 pf to DM77.92. Volkswagen dipped DM5.70 to DM58 after the company dismissed reports that a compromise had been reached with Renault in the group's row over plant subsidies. AMSTERDAM ended comfortably above the worst of the day. Financial stocks were noticeably weak but Royal Dutch Shell, underpinned by firm oil prices, continued to move ahead. Along with the European wide trend, bonds eased on worries about tighter US monetary policy, and an attempt by investors holding

the downtrend. The AEX index ended 4.00 lower at 350.98. Financials led the way down with ING off 80 cents at F151.26 and ABN Amro falling F11.20 to F189.70. Up F13.90 on Monday as dealers scrambled for stock on the back of fast rising oil prices. Royal Dutch Shell added a further 90 cents to F1252.80. MILAN was weighed down by a host of depressing factors, with a further tumble by Olivetti again drawing unwelcome attention to the stock. The Comit index lost 8.72 to 5841.2. Olivetti dropped 5.1 per cent as a series of rumours continued to pressure the stock and as investors awaited the outcome of a board meeting late in the day. The share finished 1.39 lower at L796, having picked up from the day's low of L771. Among the rumours was one that the company was likely to make further provisions for future restructuring, and that further losses were likely on its balance sheet. There was a report that a number of senior managers had left the company, talk of a management coup, and speculation about an attempt by investors holding

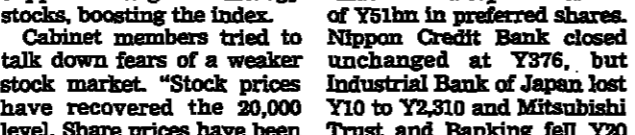
fell 30.8 to 3,658.8. Among the day's biggest losers, Roche certificates fell SF76 to SF74.08. UBS was SF721 weaker at SF71.147 and Nestlé gave up SF76 to SF71.386. Elsewhere, ABB was SF210 lower at SF71.67, Solvay lost SF76 to SF74.38 ahead of its announcement today of half year profits which were expected to have doubled, and Abn-Amro eased SF710 to SF704. MADRID was down but off its lows in line with Wall Street and bonds after a nervous, occasionally volatile session which left the general index 2.44 weaker at 352.01. BRUSSELS looked to Tractebel for support as the broad market came under pressure and the Bel 20 index finished 2.31 weaker at 1,717.16. Tractebel jumped 15.500 to BF13.626 after an unconfirmed press report said that GBL and affiliated companies were offering control of the utility to a fellow holding company, SGB, at BF14.500 a share. SGB rose BF15 to BF17.000 and GBL picked up BF25 to BF3.840. Written and edited by Michael Morgan and Jeffrey Brown.

ASIA PACIFIC
Dollar's rise and bargain hunting boost Nikkei

Tokyo Shares shrugged off a bout of technical selling which briefly pushed the Nikkei average below the 20,000 level, and the index closed higher for the first time in five trading days, writes Emiko Terazono in Tokyo. The Nikkei 225 index closed up 91.04 to 20,198.15 after moving between 19,920.02 and 20,289.99. In early trade investors were unnerved by reports that the government would forego a supplementary budget to support the economy, prompting technical sales. However, bargain hunting by domestic institutions of large capital steels underpinned the market, while the dollar's rise against the yen supported high-technology stocks, boosting the index. Cabinet members tried to talk down fears of a weaker stock market. "Stock prices have recovered the 20,000 level. Share prices have been influenced by weakness in US stocks and I have a feeling that futures drops will not be very large," said Mr Sei-roku Kajiyama, chief cabinet secretary. The Topix index of all first section stocks gained 6.45 to 1,546.12 and the Nikkei 300 rose 0.81 to 297.85. Volume totalled 286m shares against 203m. Gainers led declines by 713 to 332 with 178 issues remaining unchanged. In London, the ISE/Nikkei 50 index rose 0.22 to 1,377.50. Large capital steels which were sold off earlier in the week on fears of downward earnings revisions, were bought. Nippon Steel rose Y1 to Y344, NKK increased Y1 to Y291 and Kobe Steel climbed Y1 to Y283. High-technology stocks gained ground, with Toshiba up Y2 to Y709, Sony gaining Y50 to Y6,830 and Fujitsu adding Y1 to Y980. Car stocks were higher. Toyota Motor gained Y10 to

and Hang Seng Bank fell HK\$0.75 to HK\$78.50. SINGAPORE regained its composure after a sharp slide, accentuated by the low level of trade. The Straits Times Industrials index finished 23.54 weaker at 2,105.26. BANGKOK stocks partly recovered from a weak opening. The SET index, down more than 48 points at one stage during the morning, closed off 21.78 at 1,054.45. KUALA LUMPUR stayed out of sorts, continuing its consolidation amid renewed fears of monetary tightening in Malaysia following stronger money supply growth in July. The composite index ended 12.88 or 1.2 per cent lower at 1,093.32 after hitting a low of 1,086.49 in early afternoon trade, while the more speculative Second Board index fell 13.89 or 2.6 per cent to 522.57. SEOUL drew encouragement from new economic policies unveiled in the afternoon by the finance ministry, and the composite index picked up from a low of 764.80 to close 4.46 weaker at 769.50. Eagerly awaited news that the foreign stock ownership limit would be lifted on October 1 to 50 per cent from 15 per cent came after the market closed. SYDNEY closed lower, dragged down by a weak bond market which was hit by stronger than expected July retail figures and wor-

ries about a possible tightening of US monetary policy. At the close, the All Ordinaries index was 12.1 lower at 2,244. Brokers said early buying had fizzled out before lunchtime while news of the US air strikes coincided with the market's closing bell. WELLINGTON ignored bond market weakness and closed with modest gains. The NZSE-50 Capital Index ended 6.57 higher at 2,263.09 in this turnover of NZ\$250m. Air New Zealand provided the main feature, announcing details of its planned purchase of a half share in Ansett Australia for A\$476m plus a rights issue to partly finance the acquisition. As part of the deal, foreign ownership of Air NZ is being widened. Foreign ownership of the B shares is being increased from 35 per cent to 49 per cent. Air NZ B closed 38 cents lower at NZ\$3.95 while the A shares added 11 cents to NZ\$3.58. TAIPEI ended lower with the weighted index off 84.20 or 1.3 per cent at 6,267.97. Some foreign equity funds saw the weakness as a buying opportunity. Computer group Acer gained 90 cents to T\$38.302.41, and Taiwan Semiconductor added 50 cents to T\$65.00. BOMBAY turned back after a strong start as the finance minister again put off a crucial speech to parliament about budget proposals. The BSE-30 index finished down 78.30 at 3,484.68.



Mexico City under pressure

Mexico City was weak at mid-session with the IPC index 29.82 weaker at 3,279.76 in nervous response to events in Iraq. Leading losers were the B shares of the financial group BBV-Prubursa, down 4.5 per cent to 56 centavos. The A shares of Cemex, the cement producer, were also under pressure, falling 3.2 per cent to 90 centavos to 27 pesos. Nominal shares of the builder, Tribasa, slipped 3 per cent to 18.72 pesos. Bellwether Telmex L shares were down 1.3 per cent to 12.22 pesos. SAO PAULO edged lower at mid-session, influenced by a sharp rise in the key US 30 year Treasury bond yield. The Bovespa index of the 49 most active stocks fell to 197 to 22,129.12 in weak volume of R\$180.9m. The benchmark Telebras preferred fell 0.5 per cent to R\$74.80.

S Africa industrial stocks weakened

Johannesburg's industrial stocks reversed early gains to end weaker on the back of the weak Wall Street opening and as futures players unwound positions ahead of the close-out. Golds, however, held firmer levels on a better bullion price. The overall index lost 29.9 to 6,705.1 and industrials fell 52.9 to 7,858.9, but golds rose 6.5 to 1,806.4. Analysts noted that while turnover was heavy, two-way action between institutions, overseas investors and futures players saw losses kept to a moderate level. The Beers dropped R2 to R137.75, Anglo American eased just 50 cents to R273 and Vaal Reefs picked up 525 cents to R887.

Table with columns: NATIONAL AND REGIONAL MARKETS, MONDAY SEPTEMBER 2 1996, FRIDAY AUGUST 30 1996, DOLLAR INDEX. Rows include Australia, Austria, Belgium, Brazil, Canada, Denmark, Finland, France, Germany, Hong Kong, Indonesia, Ireland, Italy, Japan, Malaysia, Mexico, Netherlands, New Zealand, Norway, Philippines, Singapore, South Africa, Spain, Sweden, Switzerland, Thailand, United Kingdom, USA, Americas, Europe, Nordic, Pacific Basin, Euro-Pacific, North America, Pacific Ex., World Ex., World Ex. (1995), World Ex. (1993), World Ex. (2018).

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Large vertical advertisement on the right edge of the page. Features the word 'FIIT' at the top. Below it, text reads: 'Brussels agreement deal with VW over subsidiaries'. At the bottom, there is a logo for 'مركز الاستثمار' (Investment Center).